BEE.conomics™ 2019

Transformation in South African asset management

27four
INVESTMENT MANAGERS

Private Markets Edition

Contents

Abbreviations

ABSIP	Association of Black Securities and Investment Professionals
ASISA	Association for Savings and Investment South Africa
AUM	Assets Under Management
B-BBEE	Broad-Based Black Economic Empowerment
CFA	Chartered Financial Analyst
CIS	Collective Investment Scheme
COFI Bill	Conduct of Financial Institutions Bill
CRISA	Code for Responsible Investing in South Africa
DFI	Development Finance Institution
DTI	Department of Trade and Industry
EME	Exempted Micro Enterprise
ESD	Enterprise and Supplier Development
ESG	Environmental, Social and Governance
FSC	Amended Financial Services Sector Code of 2017
FSCA	Financial Sector Conduct Authority
FSTC	Financial Sector Transformation Council
GEPF	Government Employees Pension Fund
GIPS	Global Investment Performance Standards
IoDSA	Institute of Directors South Africa
JSE	Johannesburg Stock Exchange
LDI	Liability Driven Investment
LISPs	Linked Investment Services Providers
LSM	Living Standards Measure
NPAT	Net Profit After Tax
PA	Prudential Authority
QSFI	Qualifying Small Financial Institution
SARB	South African Reserve Bank
SARS	South African Revenue Services
SAVCA	Southern Africa Venture Capital and Private Equity Association
SED	Socio-Economic Development
SOE	State Owned Enterprise
UCITS	Undertakings for Collective Investment in Transferable Securities
UN PRI	United Nations Principles for Responsible Investment
PIC	Public Investment Corporation
YES	Youth Employment Service

Criteria and methodology

Who could participate?

Asset managers which met the following criteria were approved for participation in the survey:

1. The fund is defined as a Black Private Equity Fund according to the Amended Financial Services Sector Code of 2017.
2. At least 51% of the exercisable voting rights associated with the equity instruments through which the private equity fund holds rights of ownership, is held by black people.
3. At least 51% of the executive management and senior management are black people.
4. At least 51% of the profits made by the private equity fund manager after realising any investment made by it, by written agreement, accrue to black people.
5. The private equity fund manager is a black-owned company as defined.
6. Over the term of the fund the private equity fund manager invests at least 51% of the South African funds under management in companies that have at least 25% direct black shareholding post investment of the private equity fund, using the modified flow-through principle.
7. The company is registered with the Financial Sector Conduct Authority for the business that the company carries out.

Random checks were conducted by 27four to verify that each participant met the above criteria. However, this was not independently vetted. All information was voluntarily provided as is by participating firms.

Research methodology

All data is presented as at 30 June 2019. The graphic below articulates the research process followed.

1 Questionnaire design	Changing industry dynamics require an annual reassessment of the relevance of the questions asked.
2 Research content	A key feature of the survey is the inclusion of research articles of interest and interviews with stakeholders.
3 Asset manager universe	We cast our net wide to ensure that our universe is all-encompassing.
4 Invitation to participate	Asset managers were invited to complete the online questionnaire on 31 May 2019.
5 Submission deadline	The cut-off-date for participation was 12 July 2019.
6 Information collation	Information submitted was cleaned, verified, collated and presented in a visual format.
7 Commentary	Statistics, facts and figures were interpreted, observations made and commentary provided.
8 Publish	The completed product is assembled for artwork, final editing and publication.

The survey has been designed with comparability to previous years in mind.

Chad Potter,
Investment Executive

Foreword

The South African private equity industry has been relatively quiet in recent years. Asset growth has been muted and well below international levels while the domestic economy has offered little to get excited about. But one encouraging change in the market has been the number of new black fund managers setting up shop and beginning the process of putting together funds.

Private equity has historically been dominated by a few large firms but spin-outs of teams from within these firms, as well as the formation of new teams from within banks and corporate finance houses, has seen many new managers come to market. The Southern African Venture Capital and Private Equity Association (SAVCA) has 130 fund managers registered as members while at 27four Investment Managers we have counted at least 35 black private market fund management firms.

Fifteen firms completed our survey this year, around 43% of the black private markets universe. These firms reported that to date they had raised a total of R15.2 billion across 21 funds since their respective inception dates. While this is indicative of some good activity in the market for black fund managers, raising capital and beginning to build track record remains a very difficult process. This reality is also reflected in the median fund sizes - which are significantly smaller than those of other firms in the market.

This is not only indicative of a difficult fundraising environment, but also of the fact that international development finance institutions (DFIs) are not making new commitments to local private equity funds. There are a few exceptions to this rule, particularly in renewable energy, but by and large DFIs - once the bedrock of the local private equity industry - are winding down their exposure. This is largely a result of these various DFIs deciding to focus on countries with greater need. The nett effect is a hole in the funding landscape.

To some extent, this funding gap is being filled by a slow increase in allocations from local pension funds to private market funds, in particular to black private market funds, under various programmes. The PIC has been allocating to black private equity funds for several years and the Eskom Pension and Provident Fund has recently established an incubation programme. 27four Investment Managers' own Black Business Growth Fund programme is investing exclusively in this space, while SAVCA has launched the Fund Manager Development Programme to supplement skills and fill knowledge gaps in the management teams of new firms.

In a great example of public-private co-operation, the Jobs Fund of National Treasury has partnered with 27four Investment Managers' Black Business Growth Fund to catalyse other capital into private market investing. The Jobs Fund has provided capital to provide loss protection as well as to protect minimum returns for retirement funds and enhance upside. This is working - and is expected to catalyse a further R1 billion into private markets.

Individual retirement funds have also made some initial commitments, often with the assistance of their investment consultants who are having to spend a lot more time on private markets research. Most often, the drivers of these forays into investing in the unlisted space are a search for different drivers of return, transformation of the asset manager base and the impact that unlisted investments can have in the real economy. If black private market fund managers can deliver in these areas, they are likely to encourage more investment for future funds.

Chad

A

Overall participation statistics

Claire Rentzke,
Chief Investment Officer

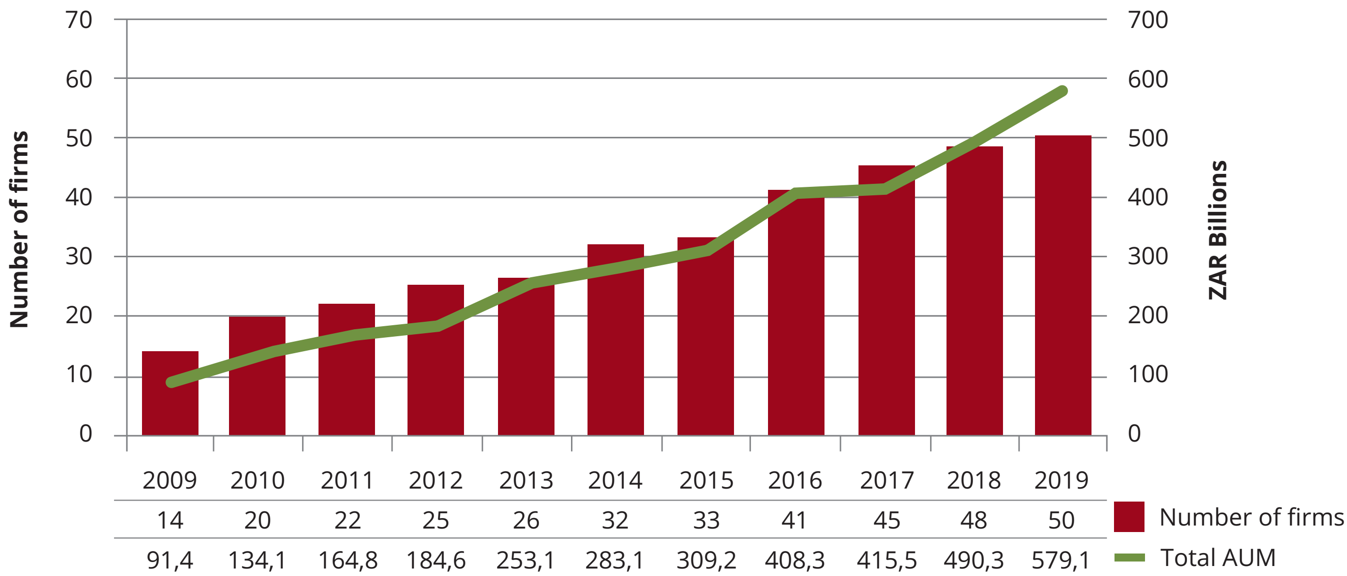
1

Asset management industry overview

Section highlights

1. There are 50 black-owned asset managers across both public and private markets.
2. Total industry AUM is R579 billion.
3. Black market share of the total estimated South African savings and investment pool is 7%.
4. Black-owned firms make up 7.8% of CIS AUM across 70 registered CIS in securities funds.
5. Black market share of the private markets industry stands at 9%.
6. The industry employs 668 people.
7. Sixty-eight percent of firms are profitable.
8. Traditional equity market share has been on the decline in favour of money market and fixed income assets.

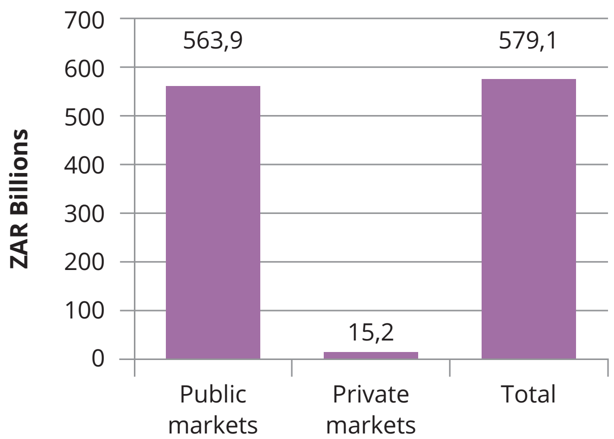
a. Total number of participating firms and AUM



2018 was a difficult year for investors with the local equity and listed property market selling off aggressively before recovering somewhat at the start of 2019. The market selloff was, however, symptomatic of a tough economic environment and retirement assets have felt the double impact of a sustained period of lower than average asset returns and widespread retrenchments.

The number of firms which met our criteria for participation extended to 50 with total AUM for the sector advancing to R579 billion (up 18% year on year). This increase in AUM was largely as a result of Prescient Investment Management qualifying for participation following their recent B-BBEE transaction. We expect to see ongoing M&A activity in South African asset management driven by B-BBEE, structural shifts in asset allocation patterns and a shrinking savings pool.

b. AUM breakdown by public and private markets participants



The proportion of private markets respondents has been increasing in recent years and now makes up 30% of the dataset (15 out of 50), up from 18% in 2017. This shift in the market prompted greater attention and effort being put into understanding this market segment in this year's publication. We have therefore separated the statistics to differentiate between the two investment streams. Even though total AUM of private market assets only represent 3% of total industry AUM, we expect to see this segment grow given increased appetite from institutional investors as the number of publicly listed companies continue to decline.

c. Exits and entrants to the survey

Entrants	Public Markets	Private Markets
Black Mountain Investment Management	✓	
Convergence Partners Management		✓
Differential Capital	✓	
Ethos Mid Market Fund I		✓
Firebird Fund Managers		✓
Moshe Capital		✓
Ngwedi Investment Managers	✓	
PAPE Fund Managers		✓
Prescient Investment Management	✓	
RH Managers		✓
Terebinth Capital	✓	
Exits	**Public Markets**	**Private Markets**
Adinah Capital Partners		✓
Bayakha Investment Partners		✓
Effectus Capital Management	✓	
Heritage Capital		✓
Idwala Capital	✓	
JM BUSHA Asset Managers	✓	
Mazi Asset Management	✓	
Motheo Property Investment Managers	✓	
Tamela Capital Partners		✓

2019 saw eleven new participants enter the survey with six firms operating in private markets and five in public markets. Differential Capital and Ngwedi Investment Managers are both newly established firms. Prescient Investment Management and Terebinth Capital are both established firms which qualified for participation following B-BBEE transactions concluded over the last twelve months.

There were a total of nine exits this year. In the main, the reasons behind the exits were firms failing to meet the deadline for participation, some cited not having the resources to complete the submission and others who have not gathered assets not finding value in taking part. One company no longer met the qualifying criteria for participation and one firm is no longer in operation.

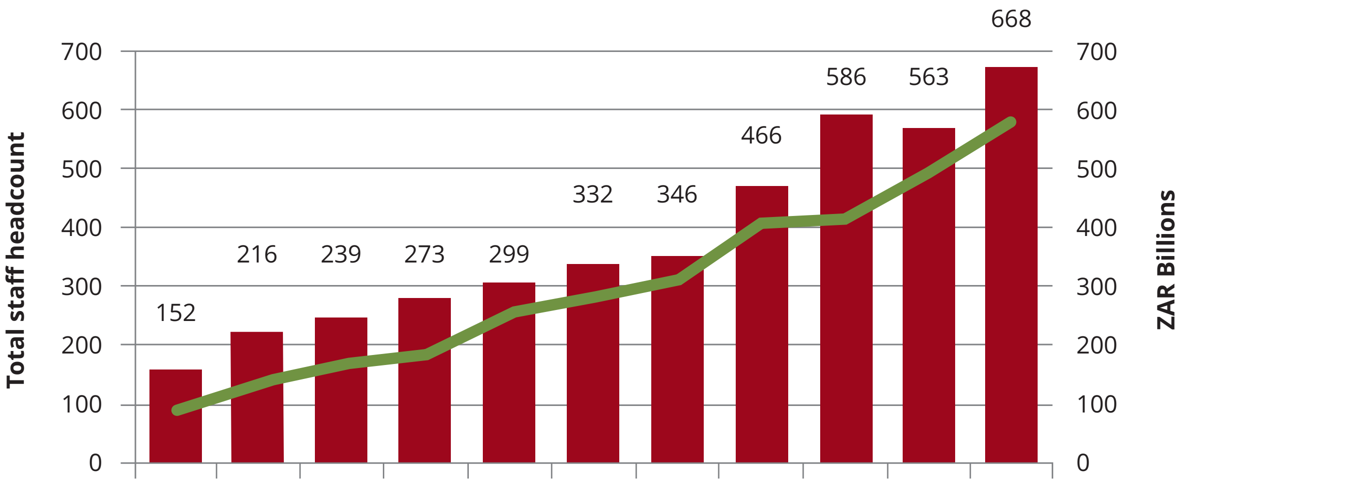
d. Public markets participants

	Fund manager	Years in operation	AUM (ZAR Millions)	Total staff headcount
1	Pan-African Asset Management	23.01	R3 356.00	9
2	Prescient Investment Management	20.84	R93 116.00	46
3	Vunani Fund Managers	19.95	R31 281.00	30
4	Taquanta Asset Managers	19.76	R160 532.00	38
5	Kagiso Asset Management	17.59	R28 542.61	48
6	Mergence Investment Managers	15.38	R33 353.85	45
7	Makalani Management Company	14.89	R0.00	8
8	Meago Asset Managers	14.61	R12 076.40	12
9	Argon Asset Managers	14.25	R25 000.00	31
10	Aeon Investment Management	14.16	R11 408.62	8
11	Afena Capital	13.67	R5 200.00	11
12	Sentio Capital Management	11.84	R16 861.00	20
13	All Weather Capital	11.17	R8 096.00	11
14	Prowess Investment Managers	10.58	R5 434.25	13
15	Balondolozi Investment Services	9.22	R4 999.00	16
16	Mianzo Asset Management	8.92	R5 477.00	11
17	First Avenue Investment Management	8.83	R9 539.00	9
18	Perpetua Investment Managers	6.75	R12 258.90	28
19	Benguela Global Fund Managers	6.36	R4 780.00	13
20	Terebinth Capital	6.25	R3 859.00	7
21	Cachalia Capital	6.17	R756.00	2
22	Legacy Africa Fund Managers	5.88	R3 901.24	12
23	Fortitudine Vincimus Capital Advisors	4.92	R209.00	4
24	Lodestar Fund Managers	4.50	R399.00	2
25	Lunar Capital	4.41	R58.48	2
26	MSM Property Fund	3.91	R79.60	2
27	Independent Alternatives Investment Managers	3.91	R94.00	2
28	Acanthin	3.83	R105.00	7
29	Aluwani Capital Partners	3.58	R69 976.00	35
30	Excelsia Capital	3.16	R1 577.00	9
31	Value Capital Partners	3.00	R8 761.00	15
32	Lima Mbeu Investment Management	1.81	R296.00	6
33	Black Mountain Investment Management	1.16	R60.00	2
34	Ngwedi Investment Managers	0.91	R2 450.00	9
35	Differential Capital	0.83	R0.00	11
	Total		**R563 892.95**	**534**

e. Private markets participants

	Fund manager	Years in operation	AUM (ZAR Millions)	Total staff headcount
1	Convergence Partners Management	13.26	R3 800.00	19
2	Senatla Capital	9.08	R635.00	10
3	Bopa Moruo Private Equity Fund Managers	7.48	R1 050.00	5
4	Ata Capital	7.39	R1 250.00	7
5	RH Managers	6.12	R939.00	18
6	Sanari Capital	5.65	R100.00	8
7	Moshe Capital	5.55	R1.00	7
8	Kleoss Capital	5.08	R850.00	7
9	Crede Capital Partners	4.48	R40.00	6
10	PAPE Fund Managers	4.33	R1 230.00	12
11	Third Way Investment Partners	4.17	R2 490.00	4
12	Ethos Mid Market Fund I	3.72	R2 500.00	8
13	Khumovest Advisory	3.67	R20.00	9
14	Summit Real Estate	2.91	R321.00	11
15	Firebird Fund Managers	1.82	R0.00	3
	Total		**R15 226.00**	**134**

f. Total headcount vs AUM



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total staff headcount	152	216	239	273	299	332	346	466	586	563	668
Total AUM	91,4	134,1	164,8	184,6	253,1	283,1	309,2	408,3	415,5	490,3	579,1

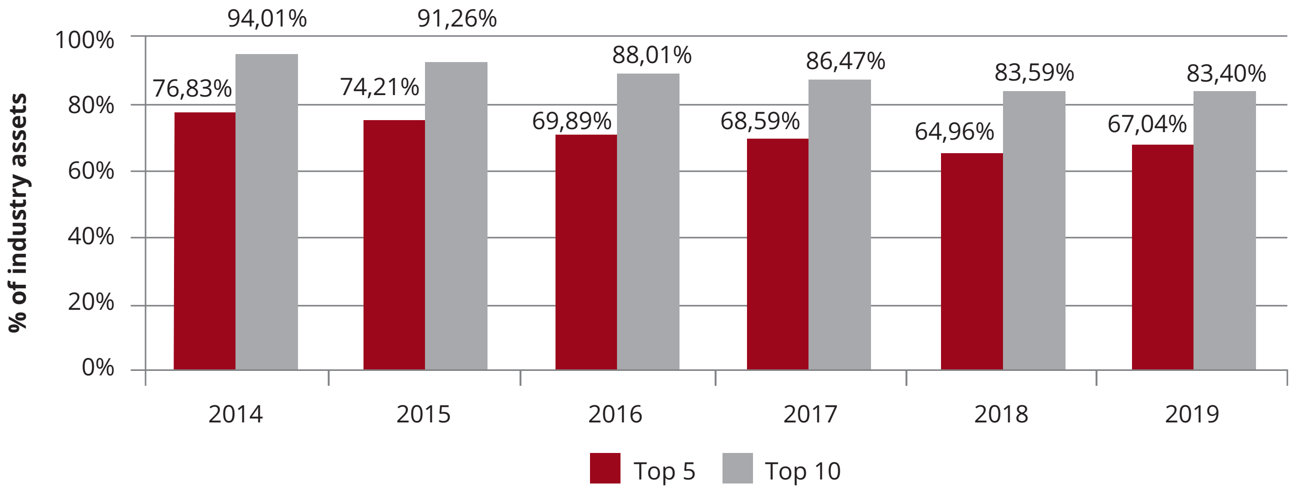
This impressive statistic derives from the entry of Prescient Investment Management (46 staff) into the survey as well as a rise in the number of people being employed within the sector. The data correlates to the improved overall growth in industry AUM. Many of the firms outsource at least some of their staffing (compliance, legal, HR, technology) to external organisations and so these figures are likely to understate the numbers working to directly support asset management activity.

g. Assets managed by firm size

Total AUM of firm in ZAR Billions	Number of firms 2019	2018	2017	2016
>100bn	1	1	1	1
50 to 100bn	2	1	1	1
30 to 50bn	2	2	2	2
15 to 30bn	3	4	3	4
5 to 15bn	9	6	6	5
1 to 5bn	13	11	11	10
<1bn	20	23	21	18
Total	**50**	**48**	**45**	**41**

The data illustrates that the industry is comprised of a small number of very large firms and a long tail of medium and small-sized companies. A pleasing statistic is the growth in the number of firms managing assets between R5 billion and R15 billion (50% improvement) and a reduction in the number of firms managing assets below R1 billion. Aluwani Capital Partners and Prescient Investment Management represent the two companies managing assets between R50 billion and R100 billion.

h. Combined market share of top firms by AUM



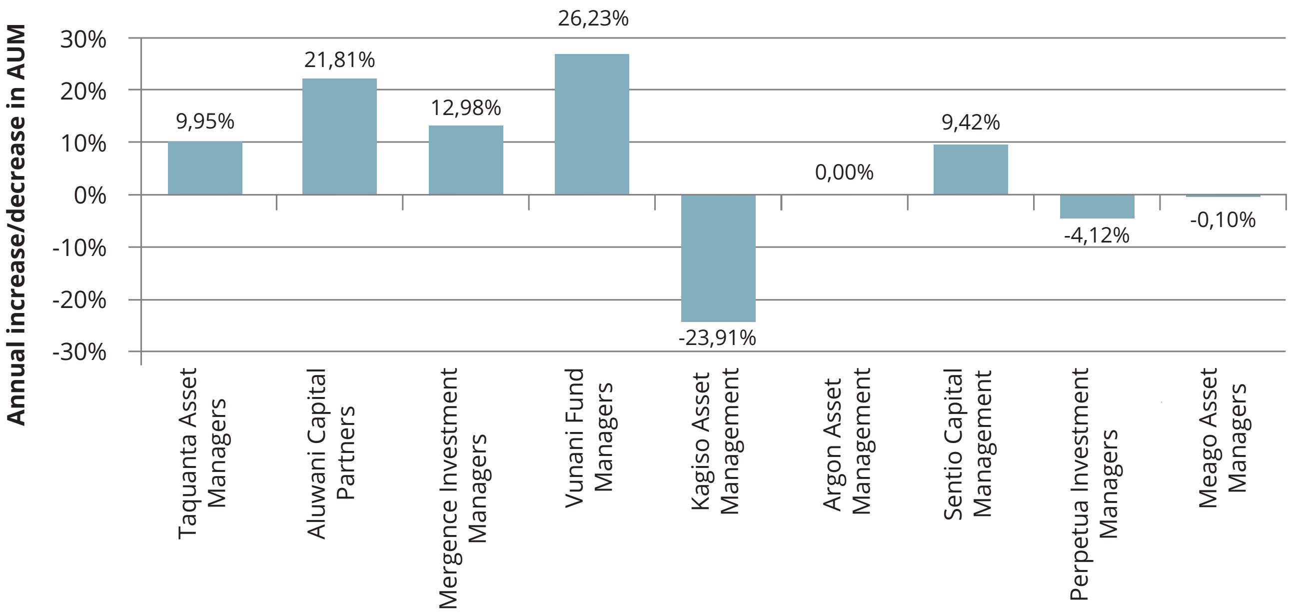
In terms of industry concentration, the ten largest firms' market share remained static from 2018 to 2019 and the concentration of the top 5 firms increased by two percentage points to 67%. This is a highly concentrated sector where large firms use scale to their advantage through offering a full suite of investment products, alongside a range of small and mid-sized boutique managers offering specialist expertise.

i. Public markets - top ten firms by AUM

Rank 2019 (2018) (2017)	Fund manager	Years in operation	AUM (ZAR Millions)
1 (1) (1)	Taquanta Asset Managers	19.76	R160 532
2 (*) (*)	Prescient Investment Management	20.34	R93 116
3 (2) (2)	Aluwani Capital Partners	3.58	R69 976
4 (5) (6)	Mergence Investment Managers	15.38	R33 354
5 (7) (7)	Vunani Fund Managers	19.95	R31 281
6 (4) (4)	Kagiso Asset Management	17.59	R28 543
7 (6) (5)	Argon Asset Management	14.25	R25 000
8 (8) (9)	Sentio Capital Management	11.84	R16 861
9 (10) (10)	Perpetua Investment Managers	6.75	R12 259
10 (11) (8)	Meago Asset Managers	14.61	R12 076
Total			**R482 998**

**indicates new entrant to the survey*

Annual increase/decrease in top 10 AUM:



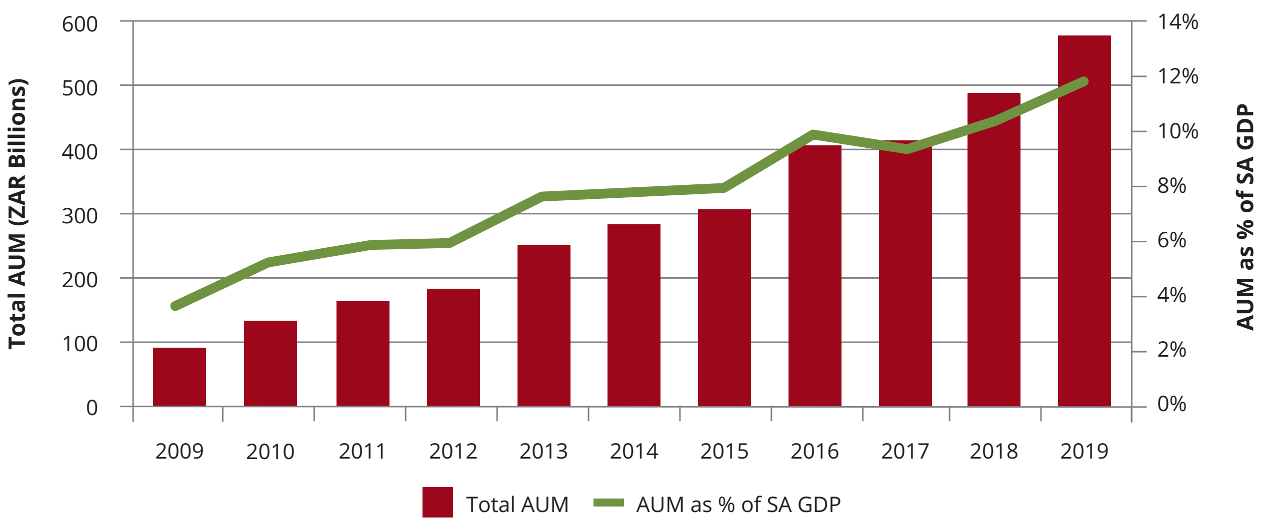
Prescient Investment Management is a new entrant to the survey coming in at number two with Taquanta Asset Managers retaining its top position. Vunani Fund Managers and Aluwani Capital Partners grew AUM the most followed by Mergence Investment Managers, Taquanta Asset Managers and Sentio Capital Management. Kagiso Asset Management experienced the largest decline in AUM followed by Perpetua Investment Managers. Meago Asset Managers' AUM remained largely unchanged. AUM movement was driven by both distribution success and financial markets performance. Firms offering multiple differentiated products fared better than those only managing traditional domestic equity mandates. It also speaks to the structural shifts in asset allocation away from traditional equity into fixed income, money market, global and other strategies.

j. Private markets - top ten firms by AUM

Rank 2019	Fund manager	Years in operation	AUM (ZAR Millions)
1	Convergence Partners Management	13.26	R3 800
2	Ethos Mid Market Fund I	3.72	R2 500
3	Third Way Investment Partners	4.17	R2 490
4	Ata Capital	7.39	R1 250
5	PAPE Fund Managers	4.33	R1 230
6	Bopa Moruo Private Equity Fund Managers	7.48	R1 050
7	RH Managers	6.12	R939
8	Kleoss Capital	5.08	R850
9	Senatla Capital	9.08	R635
10	Summit Real Estate	2.91	R321
Total			**R15 065**

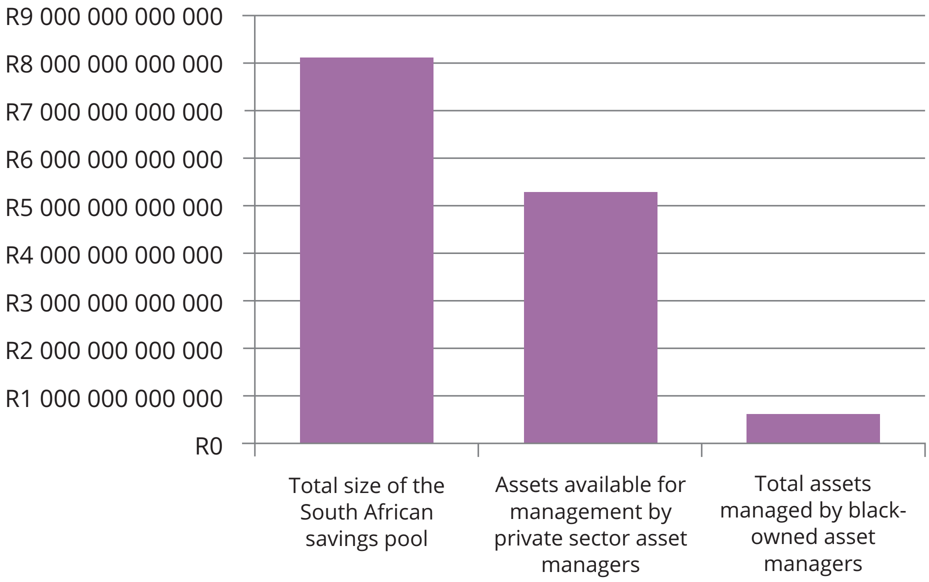
Capital raised by participants in the private markets segment is governed more by their ability to deploy the money that they raise into investments as opposed to the public markets sector where there are almost no constraints on the ability to deploy capital. Capital is also returned to investors at the end of a fund rather than being kept in perpetuity. As a consequence, the size of AUM is much smaller for private market participants and there is also a lower correlation between time in the industry and AUM. Retirement fund regulations also prohibit how much retirement funds can invest in unlisted assets with total exposure to private equity limited to 10%. Given that retirement funds comprise the largest source of assets for managers in the private markets space, the size of private market assets relative to public market assets will always be substantially lower.

k. Growth of industry relative to GDP



What is encouraging to note is that the rate of growth in assets managed by black-owned firms has consistently outperformed the growth in the size of the overall economy. Total assets managed in the industry now equate to just under 12% of GDP in 2019 from a little under 4% in 2009. This trend has consistently been improving over the course of the last decade indicating greater success from this cohort in penetrating the market against a challenging economic backdrop.

l. Black market share of the overall savings pool in South Africa

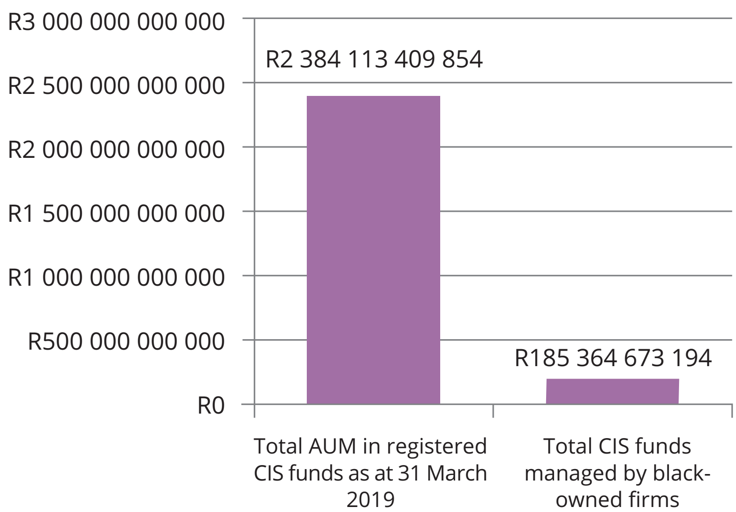


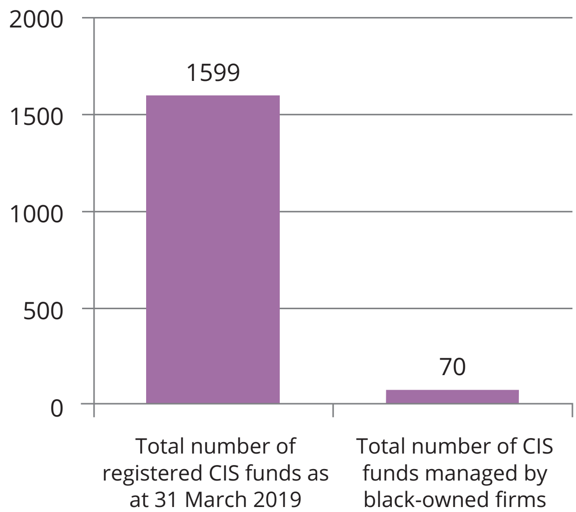
The size of the total savings and investment pool in South Africa is made up of three main sources, namely retirement funds, collective investment schemes and life company assets. Added to this are assets held by short-term insurers and medical schemes which represent a small component of the overall pool.

Calculating the total size of industry assets is an exceptionally difficult exercise as it requires collating data from multiple sources such as the SARB, the FSCA, ASISA and others and is compounded by the fact that data is reported at different times.

Based on our internal analysis we estimate that the total size of the South African savings and investment pool currently stands at R8.1 trillion. However, not all of these assets are available for management by private sector asset managers. If we exclude the assets utilised for solvency purposes and managed internally by the large retirement funds such as the GEPF we arrive at R5.3 trillion as the total assets available for management by private sector asset managers. Black-owned asset managers' current share of this is 11%.

m. Black market share of the unit trust industry in South Africa



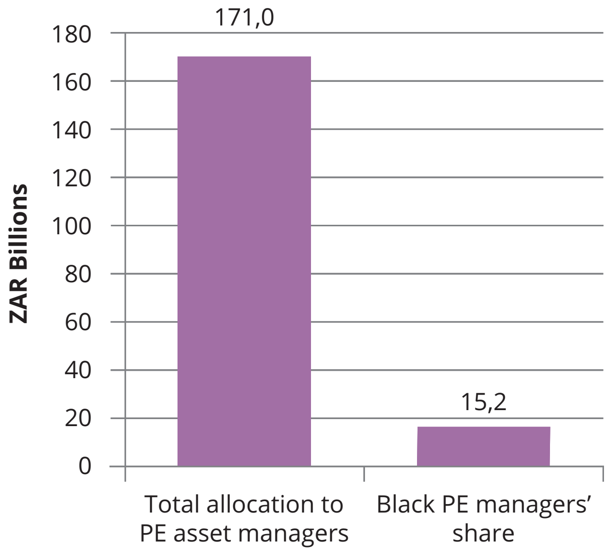


According to ASISA, the total size of the CIS industry (excluding CIS in hedge funds) as at 31 March 2019 was R2.38 trillion, comprising a total of 1 599 registered funds. Black-owned firms make up 7.8% of AUM (R185.36 billion) across 70 registered CIS in securities funds.

Two companies have meaningful scale in unit trusts; Taquanta Asset Managers and Prescient Investment Management CIS portfolios are extensively utilised by retirement funds.

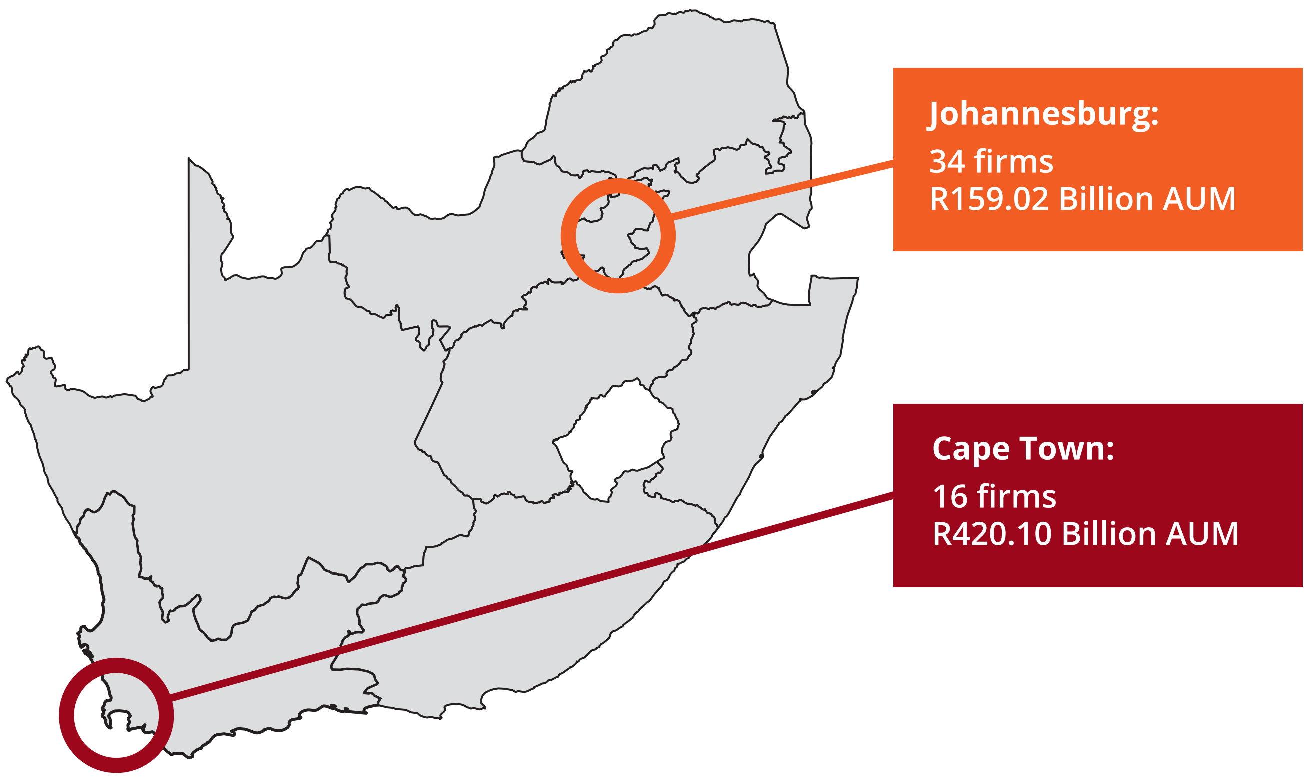
The distribution of retail funds in South Africa remains heavily intermediated. Asset managers active in the retail space need to explore ways of enhancing their distribution capability either directly to end investors or by strengthening their relationships with platforms and financial advisers or even consider vertical integration.

n. Black market share of the private markets industry in South Africa

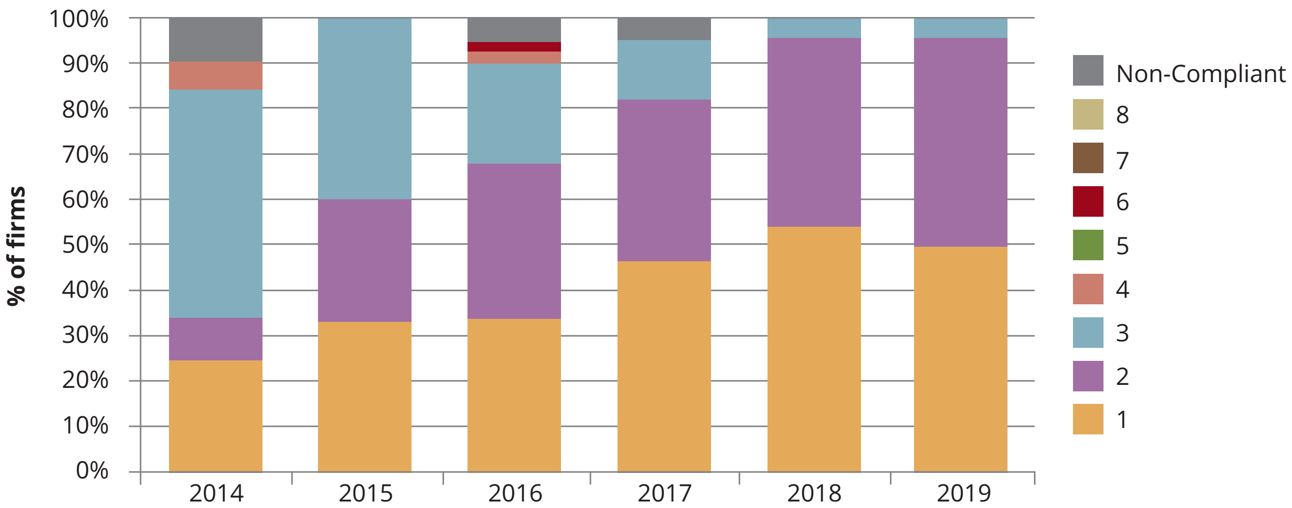


The South African private equity industry has been relatively quiet in recent years. Asset growth has been muted and well below international levels while the domestic economy has offered little to get excited about. But one encouraging change in the market has been the number of new black fund managers setting up shop and beginning the process of putting together funds. SAVCA has 130 fund managers registered as members, representing a total asset size of R171 billion (source: SAVCA). Fifteen firms completed our survey this year reporting that to date they had raised a total of R15.2 billion across 21 funds since their respective inception dates. While this is indicative of some good activity in the market for black fund managers, raising capital and beginning to build track record remains a very difficult process. This reality is also reflected in the median fund sizes: which are significantly smaller than those of other firms in the market.

o. Participation and AUM by province

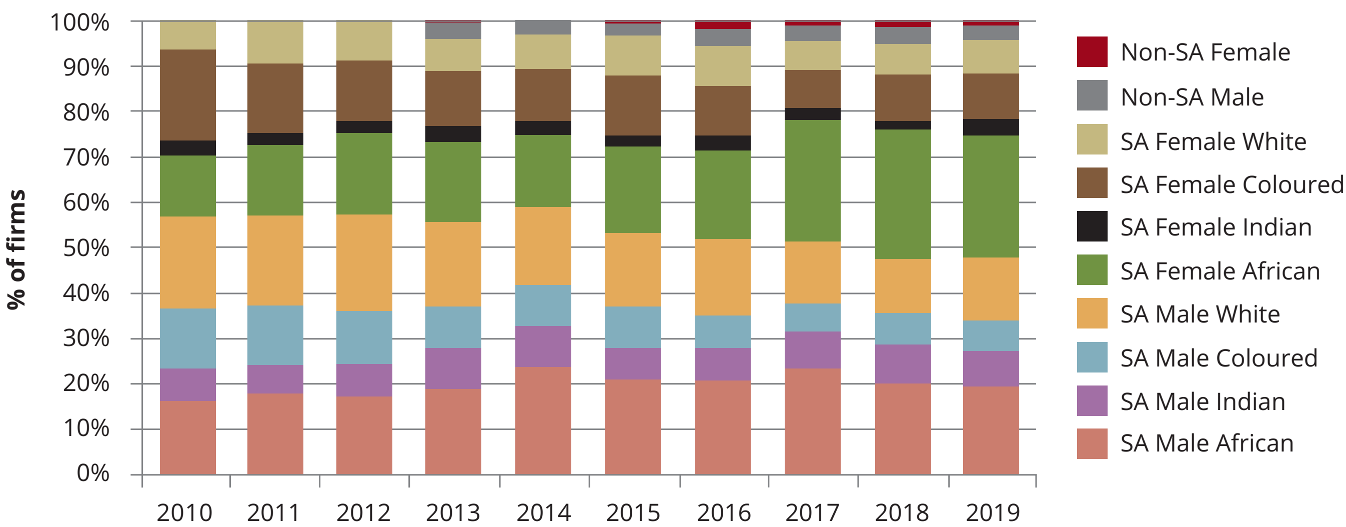


p. B-BBEE contribution level



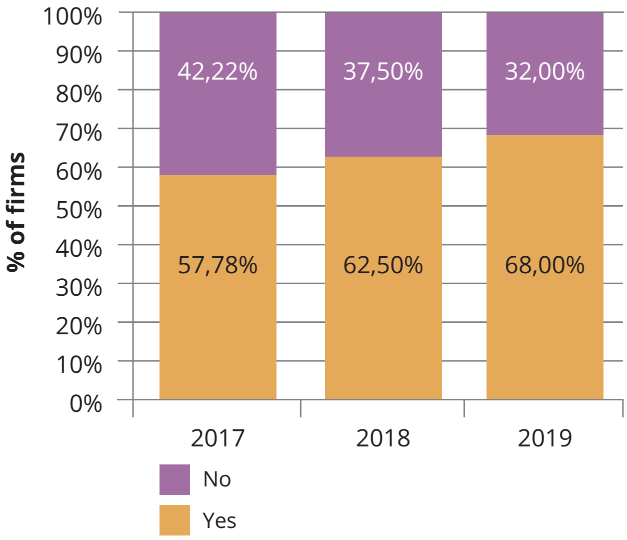
The change in the B-BBEE contribution levels is a result of the application of the 2017 FSC. One of the criteria for participation in the survey is at least 51% black ownership. The majority of respondents are classified as EMEs and QSFIs and therefore automatically qualify under the FSC for either a level 1 or 2 rating depending on their black ownership. Consequently, the two companies holding a level 3 rating are large enterprises measured against the FSC Generic Scorecard.

q. Demographics of all employees



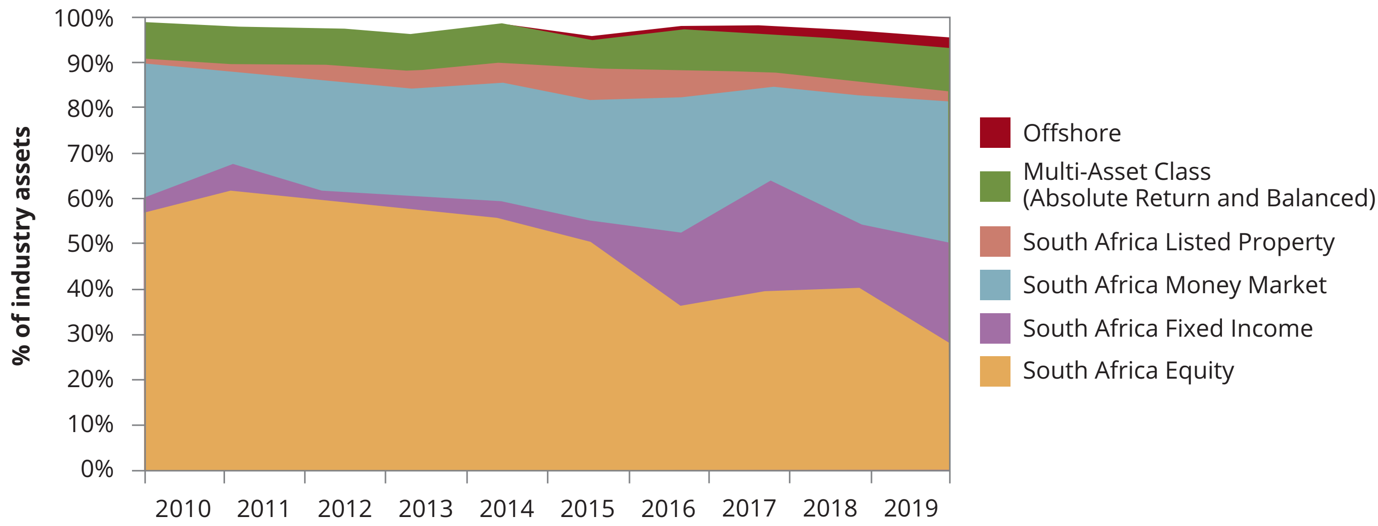
The sector fares well both on gender and race diversity; women and men are equally represented across the industry. Most encouraging is the growth in the number of African women employed in the sector. However when one looks under the hood, women are poorly represented in senior fund management roles with the majority of women holding compliance, human resources, operations, business development, marketing and administrative roles. There are a handful of women CEOs and CIOs. The industry appears to be addressing this imbalance through increased women representation in analyst roles, encouraging a future pipeline of women portfolio managers.

r. Company profitability



AUM growth has driven revenue growth in mid-sized and large companies across the sector. However cost containment is critical in a stagnant economy exacerbated by fee compression, regulatory pressures, rising costs in infrastructure and talent. There is also increased scrutiny by both regulator and investor of the value for money provided by the asset management industry. Against this backdrop, those managers who can successfully focus on their operational models, meet client expectations, grow new business lines and push efficiencies while balancing costs will be sustainable. Asset managers should also look to enhance productivity through the advanced use of technology in front and back office operations.

s. Trends in asset allocation



The graph above shows the trend in asset allocation over the last nine years of the top 6 investment strategies collectively employed by public market participants. What is most encouraging is the expansion of skills over the course of the last decade. While the universe was dominated by traditional equity skills during the early years of the survey, this has now expanded to include a far more comprehensive and compelling differentiated product profile. Exposure to traditional equities has consistently fallen over this period from a peak of 61.51% in 2011 to less than 28% in 2019. The changing composition of the underlying participants as well as broader asset allocation trends within the industry have also been contributing factors to such shifting patterns.

The graph also provides insight into the performance of asset classes in South Africa, particularly over the last three years where money market and fixed income assets have provided consistent real returns relative to equities - which further explains the decline in equity market share.

Advertorial

THE JOBS FUND

South Africa Siyasebenza

27four Jobs Fund Partnership

Accelerating black business growth funding

Through 27four's partnership with the Jobs Fund, we are catalysing job creation, transformation and economic growth through Black Business Growth Funding.

The Jobs Fund co-finances projects by public, private and non-governmental organisations that will significantly contribute to job creation. This involves the use of public money to catalyse innovation and investment on behalf of a range of economic stakeholders in activities that contribute directly to enhanced employment creation in South Africa.

1 **Innovative approach to achieving social outcomes**

2 **Impact investing - doing well for investors while also creating positive outcomes for the country**

3 **Government working with the private sector**

4 **Recognition of private equity as a force for good**

5 **Blended finance - government reducing risk to catalyse retirement fund capital**

6 **Role of pension funds in creating South Africa of tomorrow**

Follow **#27fourJobsFund**
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27 four
INVESTMENT MANAGERS

When our youth work, our economy works

Q&A

with **Dr. Tashmia Ismail-Saville,** CEO of Youth Employment Service (YES)

Tashmia, you reckon that black-owned and black-managed asset managers should be particularly involved in creating jobs for our unemployed youth. We'll come to that in a moment but for now, for those who don't know what exactly YES is, please explain who your organisation is and what it does.

We have 6 million South Africans aged 18 to 35 without work. That's a national crisis and a social disaster. YES (Youth Employment Service) was announced last year by President Cyril Ramaphosa but it is a private sector-driven non-profit initiative to find full-time jobs for young people, for one year, earning a minimum stipend of R3 500 per month.

YES officially opened only in November 2018 after a new practice note relating to the B-BBEE codes of good practice was gazetted. In terms of that practice note, YES was able to offer participating companies B-BBEE inducements to become involved.

If we're talking about one-year jobs are we talking about old-fashioned work experience?

On the contrary, YES is about building real pathways into the economy for young people. It's backed by an immense amount of very detailed local and international academic research and practical experience. We use cutting-edge, impactful work-readiness tools which really work to develop young people, to develop their skills and abilities and to add value to their employers' businesses.

Of course we want companies to keep as many of the youngsters they employ for a year after that. But those they can't keep on will be armed with qualifications, much stronger CVs, references and proof of their ability to deliver. Never having had a job is the greatest impediment to getting a job. Having a CV which shows some real experience, with a reference, triples a youth's chances of getting a call-back to a job interview. For women, it doubles their chances of getting a job within three months.

You've been going for much less than a year now. Have you been able to find any young people jobs in that short space of time?

To date [July 2019] we have firm commitments to 18 383 positions, with over 14 000 individuals already placed. The wages paid to youth alone on the YES 12-month experience will see a R773 million injection into the economy. As you say, we're only getting started and plan to get hundreds of thousands into employment.

And have any of those employed added any value to their places of work?

There are already many amazing stories coming in. Let me tell you one of these stories: a young man sponsored by Deutsche Bank was placed with a non-profit which does TB and HIV testing. Within the space of just a few months this motivated youngster tested more than 300 people and counselled 90 of his patients to move onto antiretroviral therapy. In other words, he potentially saved 90 lives!

Then there is the energetic young man who was sponsored by Volkswagen. Some of the VW youth were sent to dealerships; he was one of them. Instead of just hanging around the dealership as a junior not achieving much and waiting for customers to wander in, he realised that potential customers didn't have the time to come in to look at cars during the week. So, on weekends, he went to community events in his township and did sales and marketing. He would interest people, hand hold them through a credit-rating process, assist with finance and then close the purchase. The last time I checked, he'd sold three cars in six weeks.

We have loads of stories like that, youth coming in with fresh energy and innovative approaches; they're not jaded but are willing to experiment.

You mentioned Deutsche Bank which is obviously a financial institution. But that particular youth was working in health checking and testing. What's the connection?

Retail organisations, for instance, can put more unemployed, entry-level youth workers into their own infrastructure than other companies.

On the other hand, financial-service firms, for example, are very different. They hire more specialised, more highly skilled workers at much higher wage rates but in smaller numbers. YES is a mass employment programme; we want to give as many young workers who are currently locked out pathways into the economy. We want to give them that one-year boost to get a foot in the door. So we work with what we call implementation partners. These are typically SMMEs or NGOs (carefully vetted by YES) which can't necessarily afford to employ large numbers of young people but which can give them great training and experience and will work with beneficiaries to ensure their development.

The likes of Deutsche Bank and VW will pay their salaries and YES costs (the sponsors getting the B-BBEE credits if they want them) while young South Africans are empowered and given a foothold on the jobs ladder closer to their communities - so we spread the opportunity wider.

VW is an example of where we use something of a hybrid model. The young man who sold cars on weekends (his name is Vuyani, by the way) was placed, at VW's expense, with a dealership. VW created 560 one-year jobs, of which just 64 were within its Uitenhage assembly plant; others were within its dealership network and others got jobs which had nothing to do with the automotive industry.

So Deutsche and VW handed over the cash, did lots of good with enormous impact, got the B-BBEE kudos but didn't really know how their beneficiaries were getting on?

Not at all. Youth placed via YES receive a smartphone with YES apps zero-rated by Vodacom and MTN. There is training content with film, animation, "nudges", assessments, reflection exercises and surveys. We push and pull data to and from our youth. This data is collected into an easy-to-use platform and dashboard which sponsors can use to track the progress of the individuals they're sponsoring. The dashboard is very easy to read, and extremely gratifying for sponsors. It creates transparency; you can see how your investment in these youth is faring in real time. YES is for South Africans and businesses who want to make a difference - and here you can see that difference.

Another question: you mentioned YES costs. What are these?

YES is a non-profit but we operate extremely efficiently - with presidential endorsement but without government funding. To place an unemployed youth in employment and to support him or her while giving the employer easy-to-use tools, costs from R1 700 to R9 000, depending on the size of your business and the package you choose. The service ranges from register-and-do-it-yourself to turnkey solutions where you leave the admin and contracting etc. up to YES and a pool of vetted partners. It's really not complicated and our website is intuitive and easy to use.

For SMMEs the once-off YES cost can really be as low as R1 700 per person.

Which is good to know because most black-owned asset managers are actually SMMEs, employing just a few individuals. So why do you think asset managers should get involved in YES?

They are custodians of our people's wealth. I believe it would be wonderful if asset managers could demonstrate their commitment to growing the economy, the very economy in which they invest their customers' funds. Citizenship can never be a spectator sport.

Is it correct that asset-management firms which aren't black-owned can improve their B-BBEE compliance by one or even two levels?

That's right. Our website has a very straight-forward B-BBEE calculator tool (https://www.yes4youth.co.za/b-bbee-benefit/) which can quickly and easily show companies what they have to do to achieve such benefits.

The asset-management sector is concentrated in Gauteng and Cape Town. Which are far from the areas of greatest need. How can companies have an impact beyond Sandton or Rosebank?

We're now working with what we call scaling partners, or implementation partners, to take YES to the next level and to take it into rural areas and townships, to provide access, training, wifi access and even business incubation at YES Hubs. Through implementation partners and getting involved in the YES Hubs, asset managers can help to build our country, in all provinces.

We also have a crowdfunding platform, called fundafuture. Now that is something which asset managers might very well be interested in. . .

www.yes4youth.co.za

From 2020, BEE.conomics commits to listing (and celebrating) those asset managers which have supported YES.

B

Private markets statistics

Section highlights

1. Total capital raised by 15 firms of R15.2 billion across 21 funds.
2. ESG and transformation integrated and contracted with investors and portfolio companies.
3. 54% of capital raised is from pension funds.
4. 80% of capital raised is from local sources. DFI capital makes up only 17% of total capital raised.
5. Managers generally believe the rules supporting black private markets managers are helpful, and are supportive of incubation initiatives and the SAVCA Fund Manager Development Programme.
6. The median size of investment teams is five people, and the median total staff is eight individuals.
7. Brand building efforts tend to be muted.
8. 80% of all staff employed are black South Africans.
9. 71% of partner/principal level staff, 80% at associate level and 90% at analyst level, are black South Africans.
10. Fundraising and its related challenges are the biggest hurdles facing managers.
11. 53% of managers were on their first fund, 20% on Fund II and 27% on Fund III.

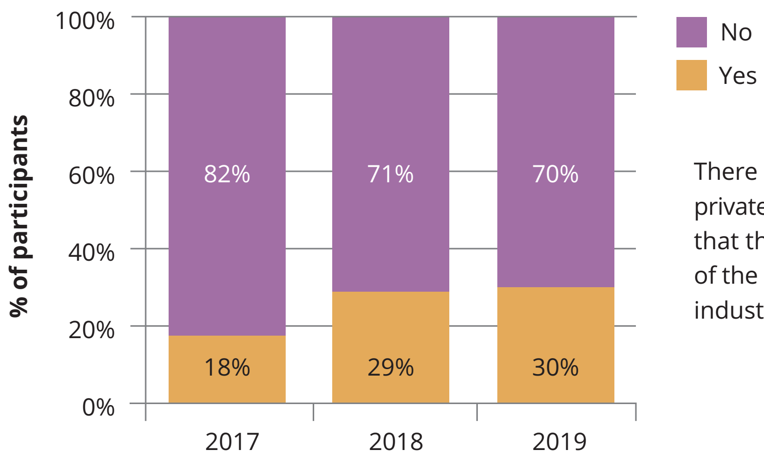
Participants

1 Ata Capital
2 Bopa Moruo Private Equity Fund Managers
3 Convergence Partners Management
4 Crede Capital Partners
5 Ethos Mid Market Fund I
6 Firebird Fund Managers
7 Khumovest
8 Kleoss Capital
9 Moshe Capital
10 PAPE Fund Managers
11 RH Managers
12 Sanari Capital
13 Senatla Capital
14 Summit Real Estate
15 Third Way Investment Partners

There were 15 participants in this year's private markets segment of the survey. The survey was substantially refined this year to cater for the inherent differences between public and private market investments. This meant a much better quality of information being produced by the survey, but it also means that it is difficult to compare with prior-year results due to the change in the actual questions asked. The proportion of private markets respondents has been increasing in recent years and now makes up 30% of all respondents (15 out of 50), up from 18% in 2017. This shift in the market prompted greater attention and effort being put into this component of the survey in 2019.

Those surveyed manage funds investing across a wide range of unlisted investments, including private equity, infrastructure and private debt. They also invest across all sectors and are mainly focused on South African investments.

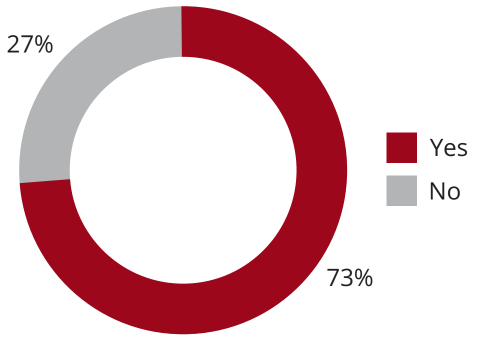
Private market share of total universe of participating firms:



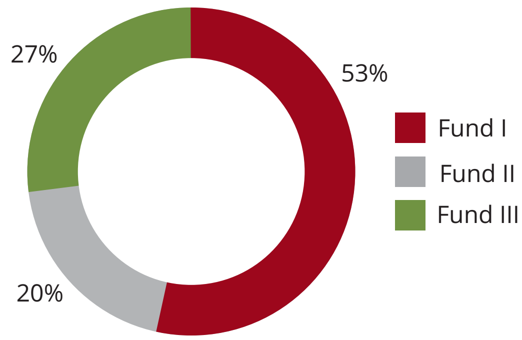
There is a trend towards more participants coming into private markets, particularly black funds. This has meant that they are starting to make up a greater proportion of the market but still represent a small fraction of total industry assets.

Distribution

a. Are you currently fundraising?

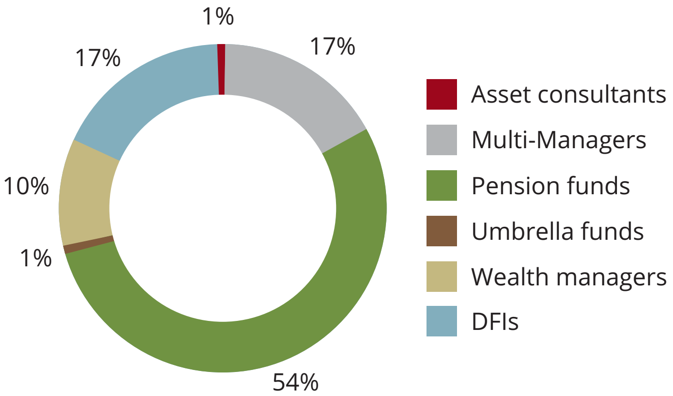


b. What generation of fund are you currently managing or raising capital for?



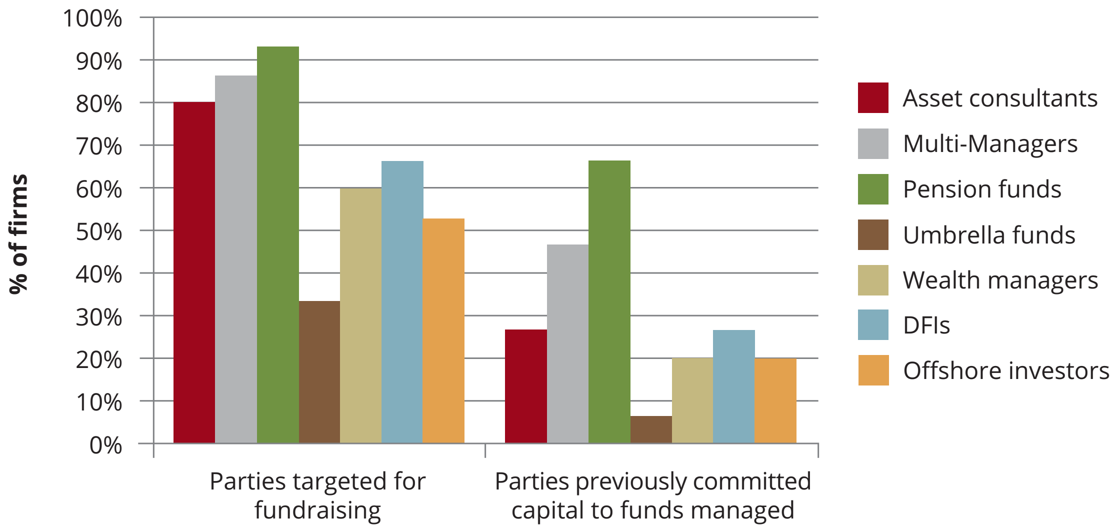
Three-quarters of respondents were currently fundraising and half were on their first fund. The number of funds managed by the 15 respondents is 21. In total, across these funds, R15.2 billion had been raised, with R9.9 billion being raised by first-generation funds.

c. Sources of capital raised



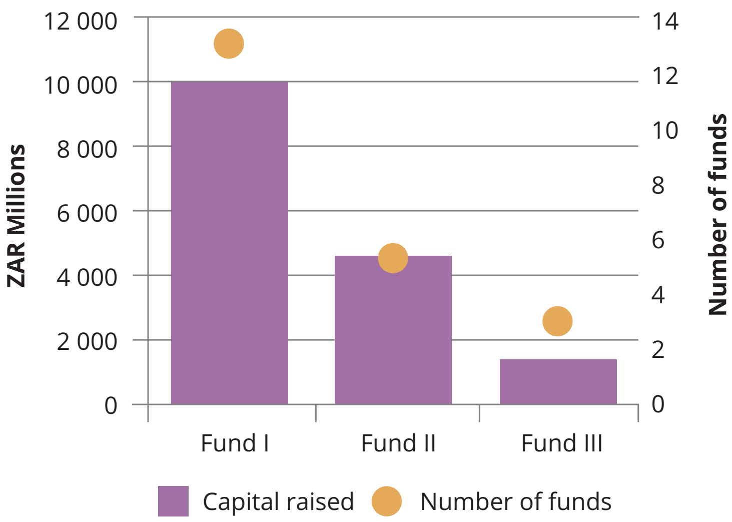
Fifty four percent of capital raised for black private equity funds came from pension funds and a further 17% and 10% respectively from multi-managers and wealth managers. 17% of capital was raised from DFIs with the remaining 2% being raised from asset consultants and umbrella funds.

d. Parties targeted for fundraising

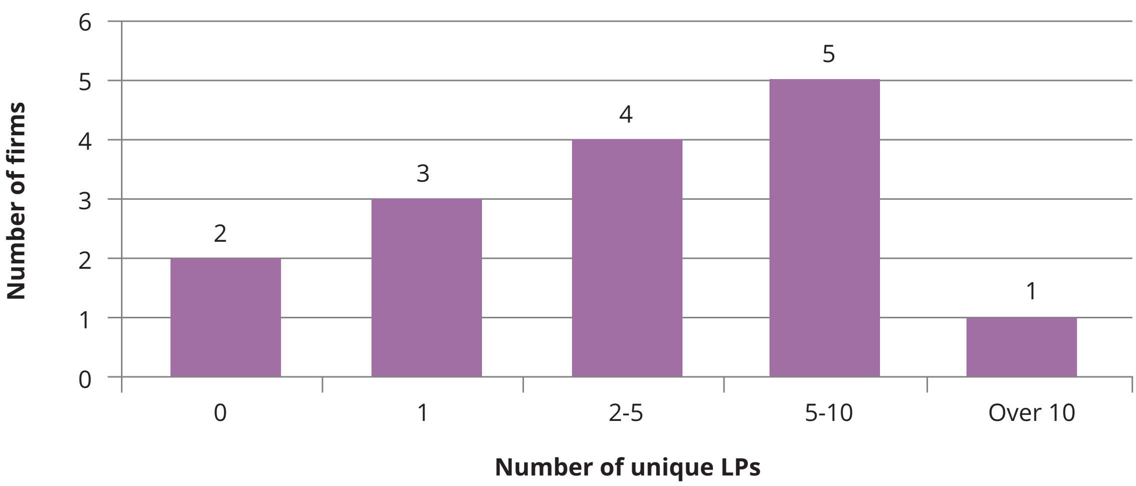


Managers largely target local institutional capital by approaching asset consultants, multi-managers and pension funds. This is where capital has historically mostly come from for these funds. To a lesser extent, managers are also looking to DFIs and offshore investors, despite the much lower historical number of commitments from these parties.

e. Aggregate committed capital of all funds raised of each generation



f. Number of unique limited partners (LPs) across live funds



The median fund manager had R635 million under management from three LPs and 25% of firms had just one LP making up more than 80% of their capital.

Bottlenecks and barriers

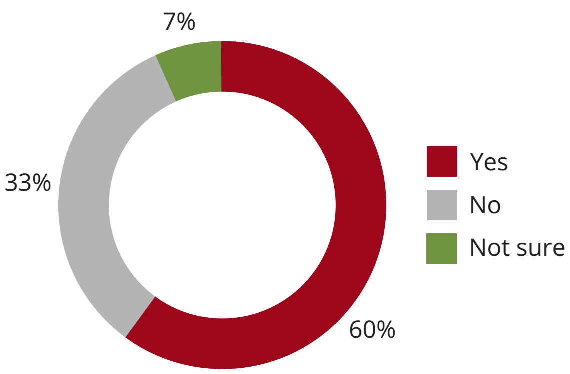
Several questions were asked of fund managers relating to bottlenecks and barriers to their creation of successful fund management businesses. Their answers reflected some positive developments and policy assistance from black private equity fund rules, but also highlighted some key challenges. The majority of managers felt that regulations around black PE funds were appropriate to encourage new entrants and build skills while those who answered "No" to this correlated very closely to those who have struggled to raise capital.

There was overwhelming support for further interventions to assist black PE managers, including making the B-BBEE Scorecard for Retirement Funds compulsory, for the SAVCA Fund Manager Development Programme which aims to build skills in new management teams, and for incubating new fundmanagers. Opinion was divided on whether black PE funds were able to compete effectively with more established firms.

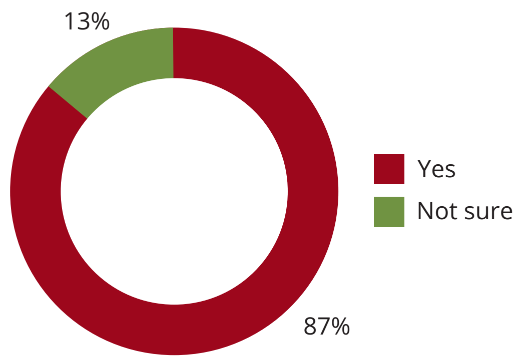
Most agreed with the suggestion that regulations were having the unintended consequence of making it more difficult for new fund managers to establish themselves and grow.

Far and away the biggest challenge for managers is fundraising and the related issues of proving track record and finding working capital prior to reaching sustainable levels of capital commitments. Next most frequently mentioned were the challenges of building teams and managing an investment pipeline while fundraising.

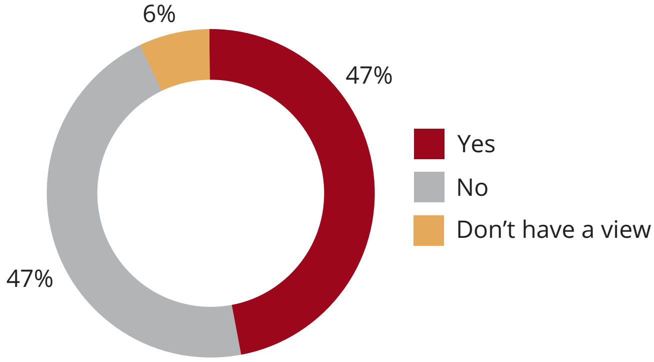
a. Do you think that current regulations around black private equity funds are appropriate to encourage new entrants and build skills?



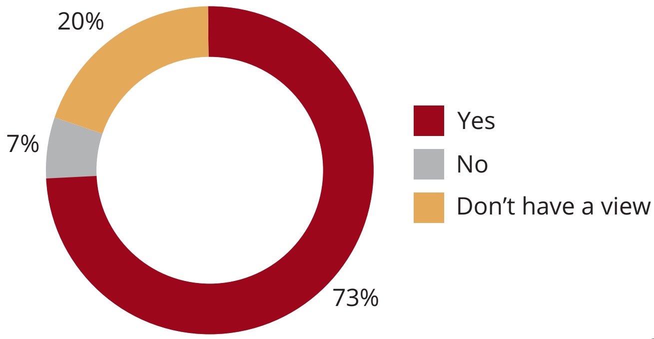
b. Would you like to see the B-BBEE Scorecard for Retirement Funds become compulsory?



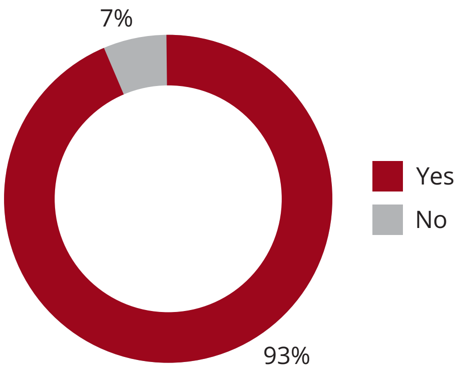
c. Do you think that you are able to compete fairly against the dominant incumbent general partners (GPs)?



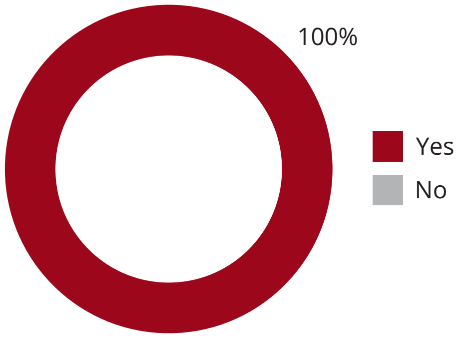
d. Do you think that some regulations have the unintended effect of increasing barriers to entry and impede the growth of emerging black enterprises within the sector?



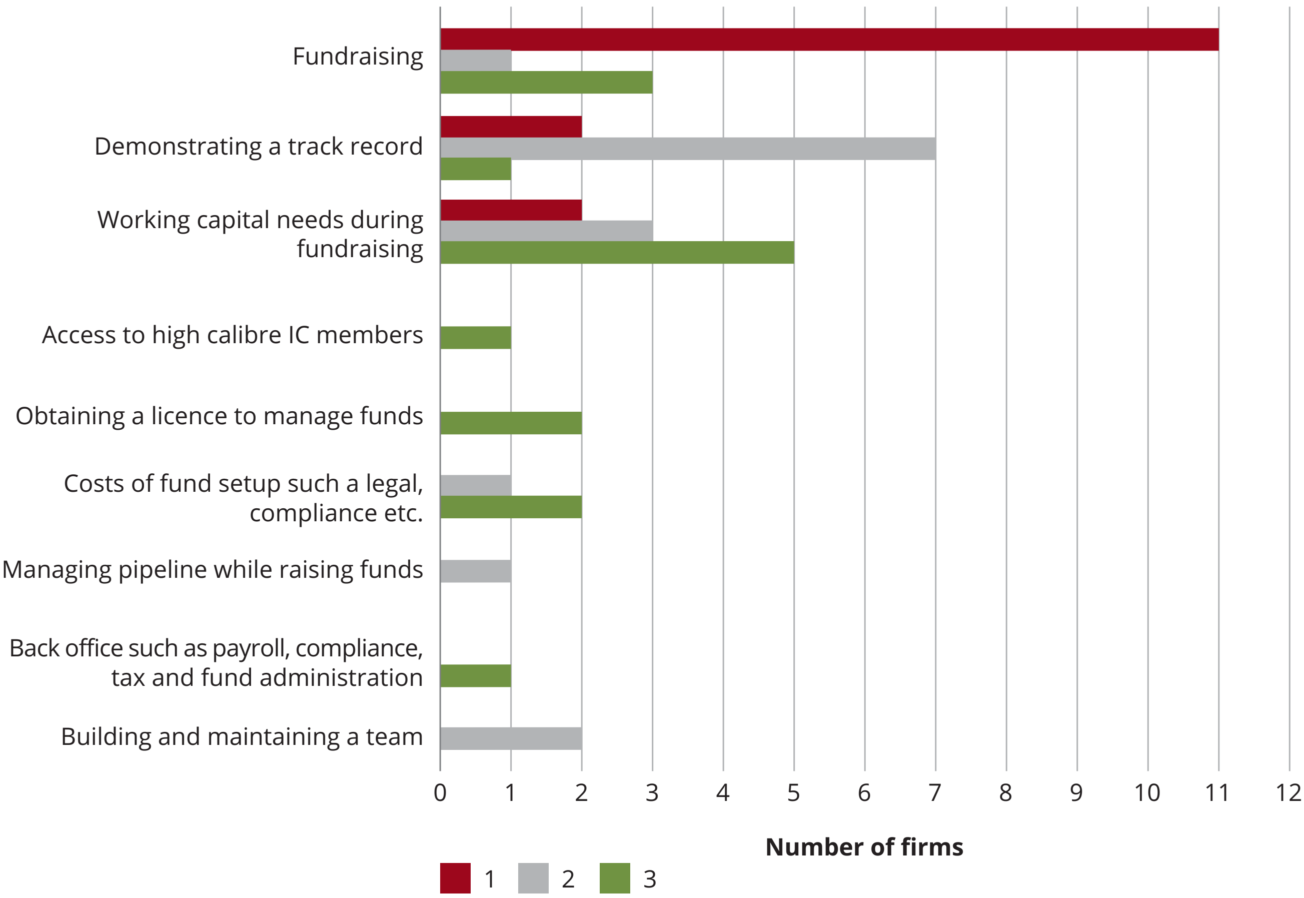
e. Is there a need for formal incubation of new GPs?



f. Is there a need for the SAVCA Fund Manager Development Programme?



g. What are the top three challenges for first-time GPs? Please rank 1 to 3 where 1 is the most important



One-on-one with Tomi Amosun,

managing partner of private-equity and unlisted real estate specialist, Summit Africa

Fundraising

As a first-time manager, how has Summit found the fundraising process? What were the key challenges and how did you deal with these so as to achieve first close?

Fundraising has certainly been challenging. Our experience has been that fundraising is not a linear process. As a first-time manager, one has less control over when you receive feedback (positive or negative) and lead times can take up to 24 months. Asset owners also have a heightened perception of risk around first-time managers. This is irrespective of the manager's prior experience or the merits of the investment offering, resulting in very lengthy evaluation periods. These factors create a lot of uncertainty for a first-time manager.

The limited number of willing private-equity investors (currently making up just 1% of total possible allocations as permitted under Regulation 28) makes the fundraising process for first-time managers in the private-equity space even more challenging. In overcoming these and other challenges, we were required to demonstrate a robust, proven and differentiated value proposition for institutional investors.

Our sector-focused approach allowed us to demonstrate how our portfolio construction is well placed to provide not only sustainable returns on investment but that it is also focused on developing communities. In addition, we quickly found that often "less is more", resulting in us simplifying our investor marketing material from an 80-page presentation to a more concise and easily understandable format. Also, the experience, calibre and profile of our investment team, operations team and our independent investment committee all played critical roles to validate Summit as a very safe pair of hands for investors.

Lastly, we invested heavily in bringing our business systems, governance framework and operating processes up to world-class standards. We found that the operational due diligence on a fund manager performed by the asset custodians was as important as the due diligence performed on the fund manager's investment thesis.

Asset allocation

As you say, private equity represents, on average, 1% of the capital allocated by SA pension funds versus 10% permitted per Regulation 28 (subject to investment limits). What can the private-equity industry do to unlock further capital allocation to unlisted investments?

The various industry bodies such as SAVCA and ABSIP have done - and continue to do - a lot to promote the asset class. But, as always, more can be done, especially in promoting black-owned and managed first time private-equity asset managers. The number of black-owned and managed private-equity managers has increased over the last five years but their key challenge, to grow funds under management, has remained the same. Changing the status quo will require a firm resolve from asset owners and custodians to firstly invest in South African private equity. And then, more importantly, these asset owners and custodians will need to actively seek out black-owned and managed private-equity asset managers as part of a larger private-equity asset allocation.

From an industry point of view, finding simplified ways to explain the private-equity investment process, how returns are derived and the social impact it can have would go a long way towards improving acceptance of private-equity as a critical component of a pension-fund investment policy statement. Greater transparency of private-equity portfolios, fees, performance and how performance is measured should also unlock further capital allocations to unlisted investment.

Finally, a concerted approach to facilitate more formal and informal direct engagements between private-equity fund managers (specifically black-owned and managed first time private-equity asset managers) and the asset owners/custodians would go a long way towards eliminating the various misconceptions around private equity.

One such misconception is that private-equity is synonymous with venture capital and the funding of start-up businesses with higher-risk profiles.

Another misconception is that private-equity managers typically look to invest in businesses which have inherent issues and can thus be bought at discounts. The reality is that we are investing in good businesses that are sustainable and growing, businesses that generate good profits and are highly regarded by their listed competitors.

Birth pains

Other than fundraising, what have been the key challenges Summit has faced to date?

The business-establishment process is never an easy one. The administrative and regulatory requirements for new South African businesses are something that the government has identified as hurdles for business establishment. Building the correct governance and compliance frameworks and associated systems takes time and is costly.

But, positively, dealing with the complexity of simultaneously building and retaining a world-class team, securing proprietary investment opportunities, and developing various business operations systems and processes, has been rewarding. These are things that every new business venture has to go through.

Other than returns, what other benefits can private-equity investment bring?

One of the most significant benefits of private-equity over, for example, the listed sector is its unmatched ability to drive the social-impact agenda. Private-equity talks to job creation, the transformation of sectors that are untransformed and supporting skills transfer to previously disadvantaged individuals. In addition, it contributes to the establishment of enterprises in areas within South Africa outside of the traditional investment hubs of Johannesburg, Cape Town, Durban and Pretoria - a significant catalyst for South Africa's economic growth agenda.

Also, the nature of private-equity significantly reduces information asymmetry compared to investments in listed companies. This ensures a more appropriate level of risk analysis and lower-volatility investment profiles. This compensates for the longer investment horizon and illiquid nature of the asset class.

Timing

In light of current economic conditions, where does Summit see opportunities for private-equity investment? Is now the right time to make investments in unlisted markets? If so, why?

Pricing expectations for suitable private-company investments have re-rated downwards in line with the general decline in mid-market listed equity over the last three to five years. In some cases, the downward pricing adjustment has been even more pronounced in unlisted markets without a corresponding change to the underlying business fundamentals. This indicates that, yes, now is a good time to invest in unlisted markets.

We see opportunity; our investment focus is on defensive sectors where there are structural barriers to entry, plus significant under-supply which presents an opportunity for significant organic growth. We target these defensive sectors because of their natural capital-protection attributes and their inherent exposure to growth when the economic cycle turns.

There are several defensive sectors and within those sectors, companies that provide essential services to a mass market. What is important is choosing the ones with structurally sustainable business drivers and high social impact. One such sector is healthcare where there is still a significant deficit of quality and affordable options. The future opportunity with NHI and the increasing percentage of the population that will seek access to quality healthcare is also a key motivation for investment. Another sector we focus on, similar to healthcare, is education.

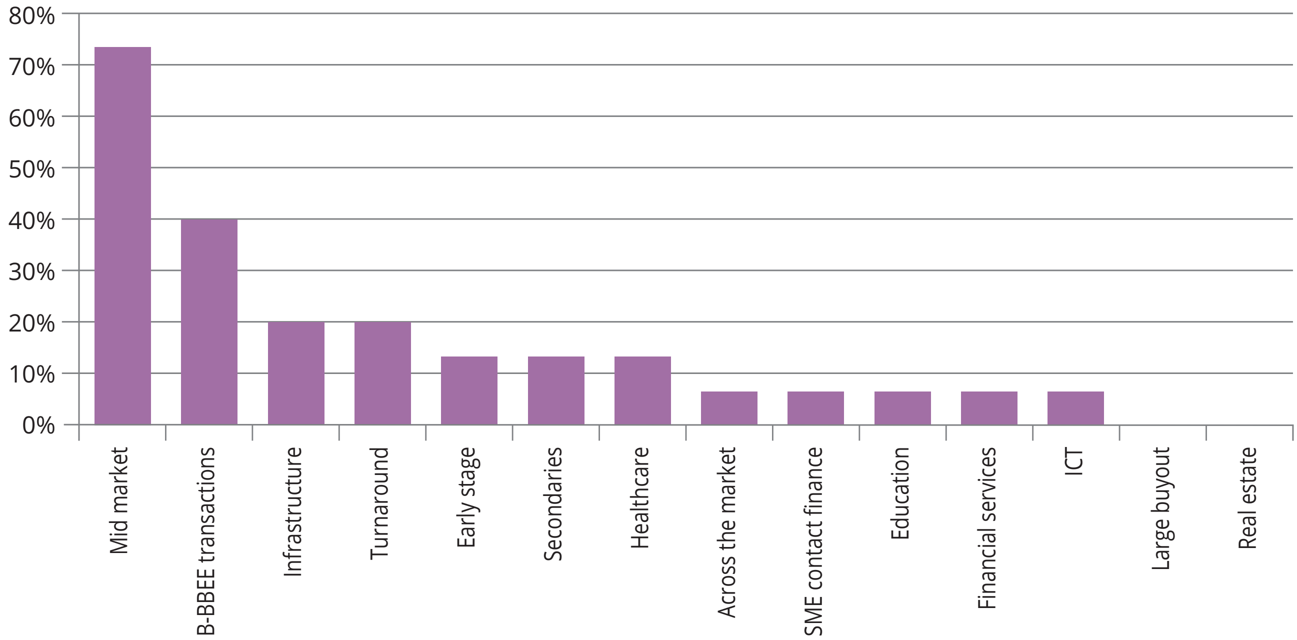
Market entrants

Given the hard-earned experience you've mentioned, what advice would you give aspiring managers who are considering launching their first fund?

- *Simplify and communicate your value proposition to each of your stakeholders: your team, pension funds, asset consultants and investee companies.*
- *Develop your brand and raise awareness in the market.*
- *Partner with, and allocate responsibilities to, different people in your team to ensure focus is given at all times to all aspects of your business - operations, fundraising, investor relations, deal sourcing etc.*
- *Don't be afraid to ask for help when you get stuck.*
- *Lastly, and most importantly: understand why you are in private-equity fund management. One has to have a long-term outlook. To build a business that will ultimately support not only your first fund but future funds thereafter. Every business takes two to three years to establish.*

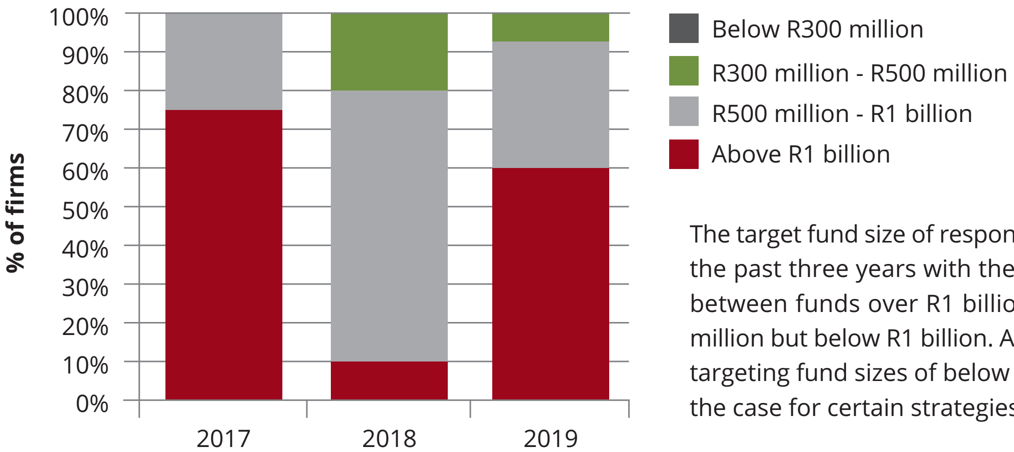
Investment philosophy

a. Investment strategies



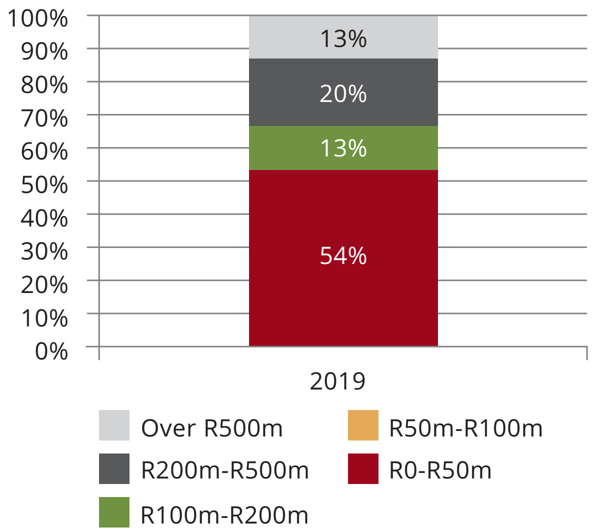
Almost three-quarters of firms indicated that their investment strategy was focused on the mid-market with 40% targeting B-BBEE transactions where the primary driver of the deal is to bring empowerment to the investee company. There were smaller focuses on infrastructure and turnaround opportunities, with some focus on early-stage investing.

b. Target fund size



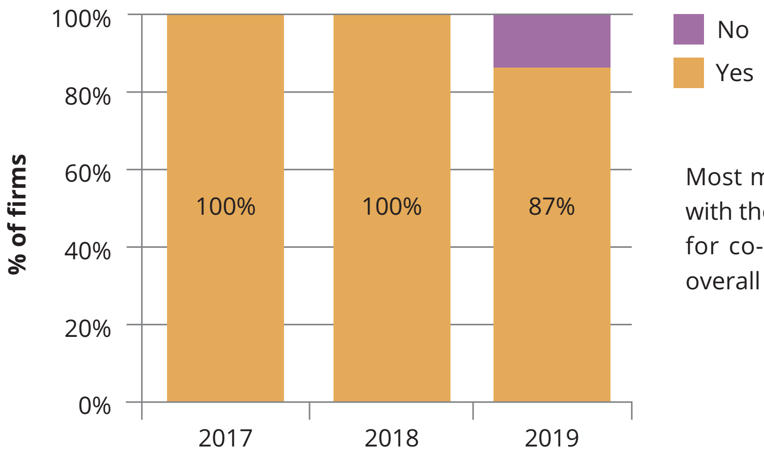
The target fund size of respondents has fluctuated over the past three years with the current target sizes split between funds over R1 billion and those above R500 million but below R1 billion. A minority of the funds are targeting fund sizes of below R1 billion although this is the case for certain strategies.

c. How much of these targets have been raised to date?



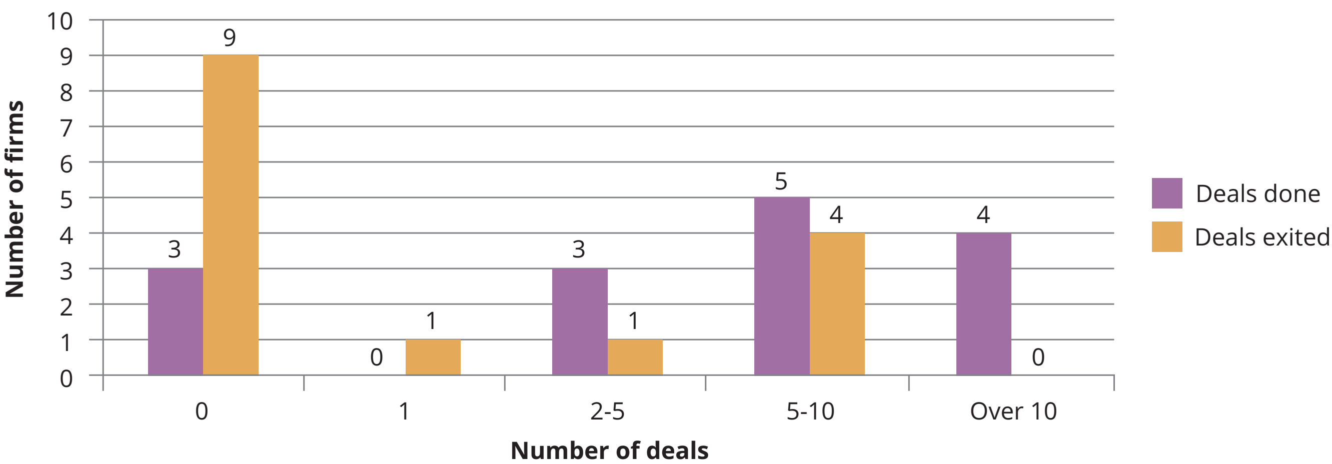
Half of the respondents had not yet raised any capital in their current fund raises (some had successfully raised prior funds), and only 13% had raised over R500 million for their current funds. A total of R4.4 billion had been raised for current funds.

d. Allow and look for co-investment



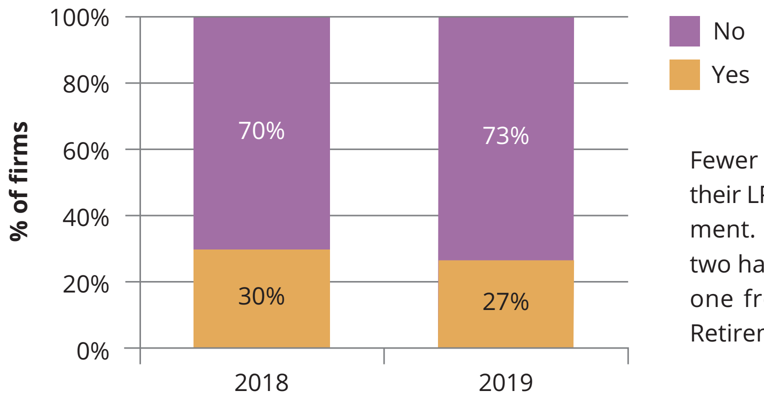
Most managers look for co-investment opportunities with their LPs. This is consistent with demand from LPs for co-investment opportunities in order to reduce overall fees from private market investments.

e. Deals done to date across all funds



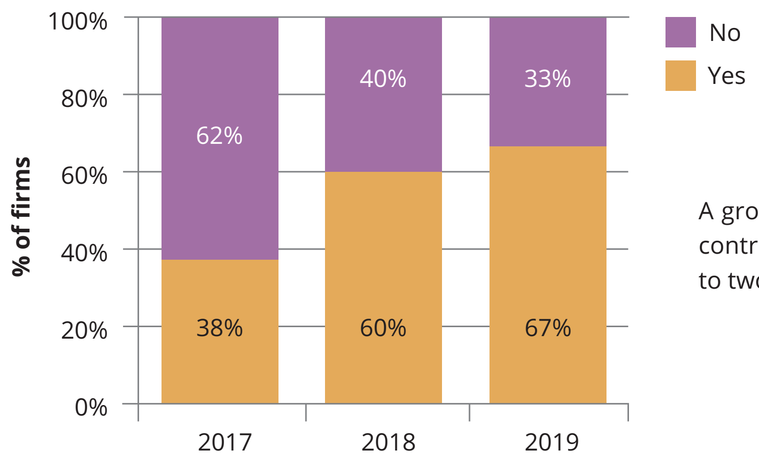
Some progress has been made from last year, with nine firms having done at least five deals, compared to five in the 2018 survey. In contrast to the deals done, nine managers had not yet exited a deal while four firms had completed at least five exits.

f. LPs played an incubation role



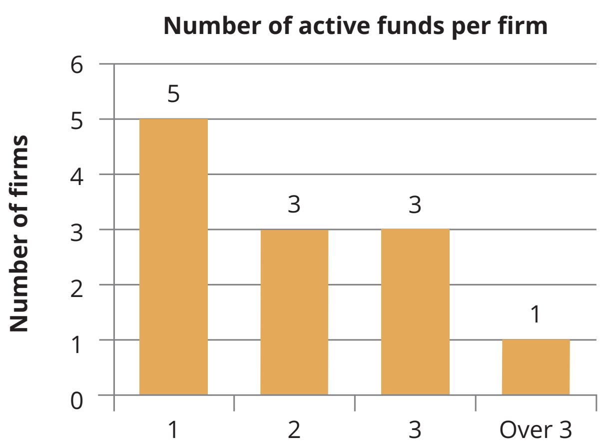
Fewer than 30% of respondents indicated that one of their LPs had played an incubation role in their development. Of the four firms that did indicate this in 2019, two had received incubation support from the PIC and one from RMB Ventures and one from the Telkom Retirement Fund.

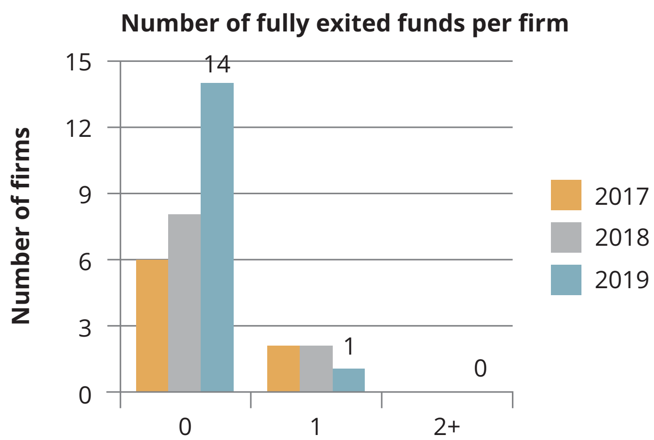
g. Fund looking to take controlling stake in portfolio companies



A growing number of funds have a strategy of taking controlling positions in their portfolio companies - up to two-thirds of respondents in the current year.

h. Funds successfully exited



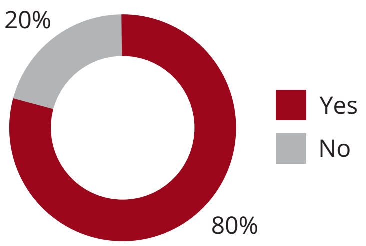


It is still a rarity to see fully exited funds, with only one manager this year indicating that it had fully exited a fund. Five managers indicated that they had one active fund, while seven had more than one active fund.

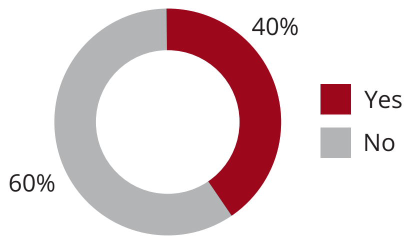
Brand building

a. Industry body membership and participation

Member of SAVCA



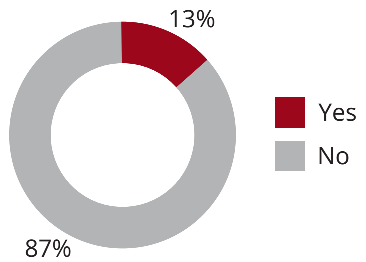
Leadership contribution to industry bodies



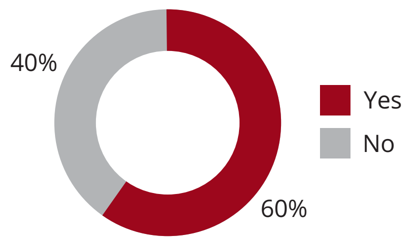
Those firms not registered with SAVCA are not yet fully operational and are still fundraising. These firms do not want to incur the cost of membership fees before they have income to pay for it. All firms eventually need to become SAVCA members in order to comply with the conditions of Regulation 28 of the Pension Funds Act. There is good participation in industry bodies in general, and many are active on the various sub-committees and other industry initiatives.

b. Brand development activities

Sponsor industry conferences



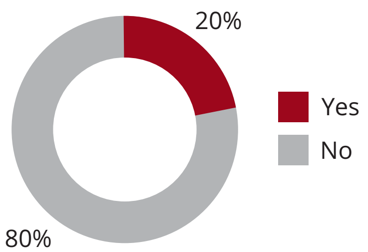
Senior investment personnel speak regularly at industry events



It is unsurprising that most firms choose not to sponsor industry events or conferences; these sponsorship packages tend to be relatively expensive for new firms.

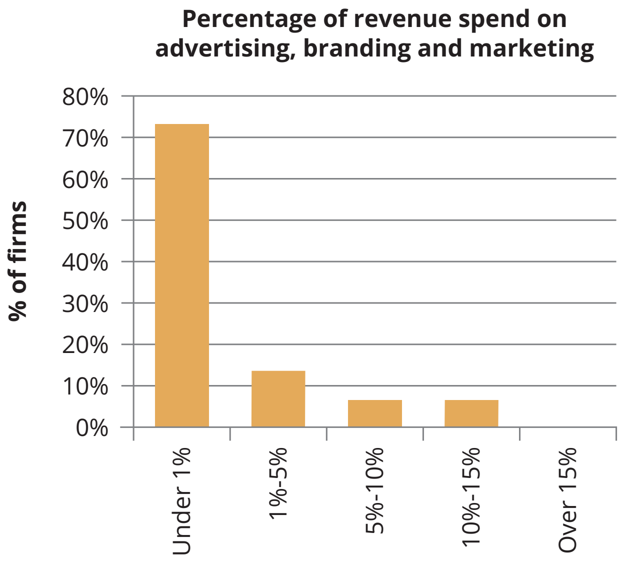
It is good to see, however, that there is presence. This is usually a very cost-effective way to gain exposure within the industry.

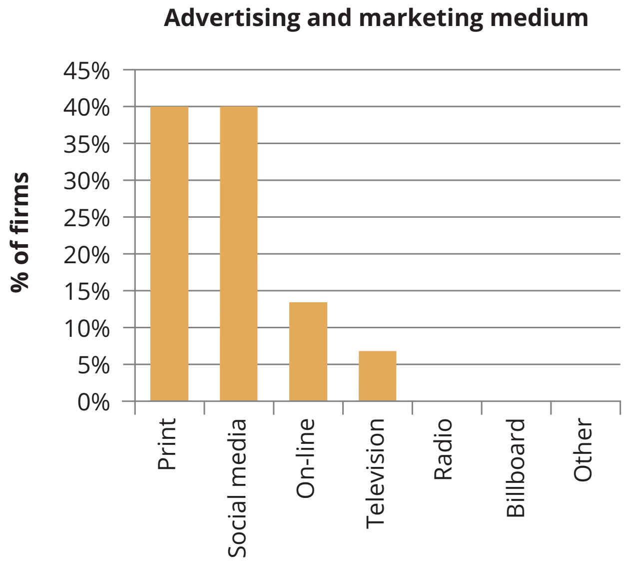
c. Publish research



Publishing research articles is perhaps an area where more could be done to gain valuable exposure, but doing so is time consuming - when teams are usually very stretched. The private equity industry does not offer as many awards as do other parts of the asset management industry, mainly due to the long-term nature of the investments. This has meant that there are very few firms in the market which can point to formal recognition. The recent introduction of the SAVCA Private Equity Industry Awards will change this over time.

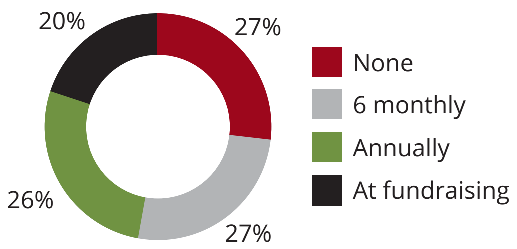
d. Advertising





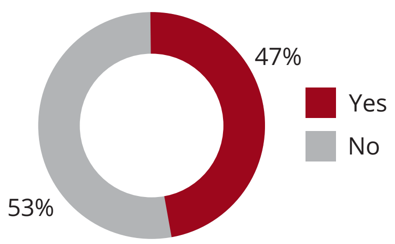
Typically, very little is spent on marketing activities, for two main reasons. Firstly, black managers tend to be newer and have tighter budgets than more established players. Secondly, the marketing spend that is incurred is directed towards fundraising, where there are relatively few parties being marketed to. This suits a direct relationship-building style of marketing much better than a broadcasting strategy of advertising and brand building. Where advertising spend is incurred, the vast majority is spent on print and social media advertising, where costs are manageable. The high cost and wide reach of TV, radio and outdoor campaigns is not seen as effective spend given the very niche target audiences of PE funds.

e. Frequency of investor roadshows



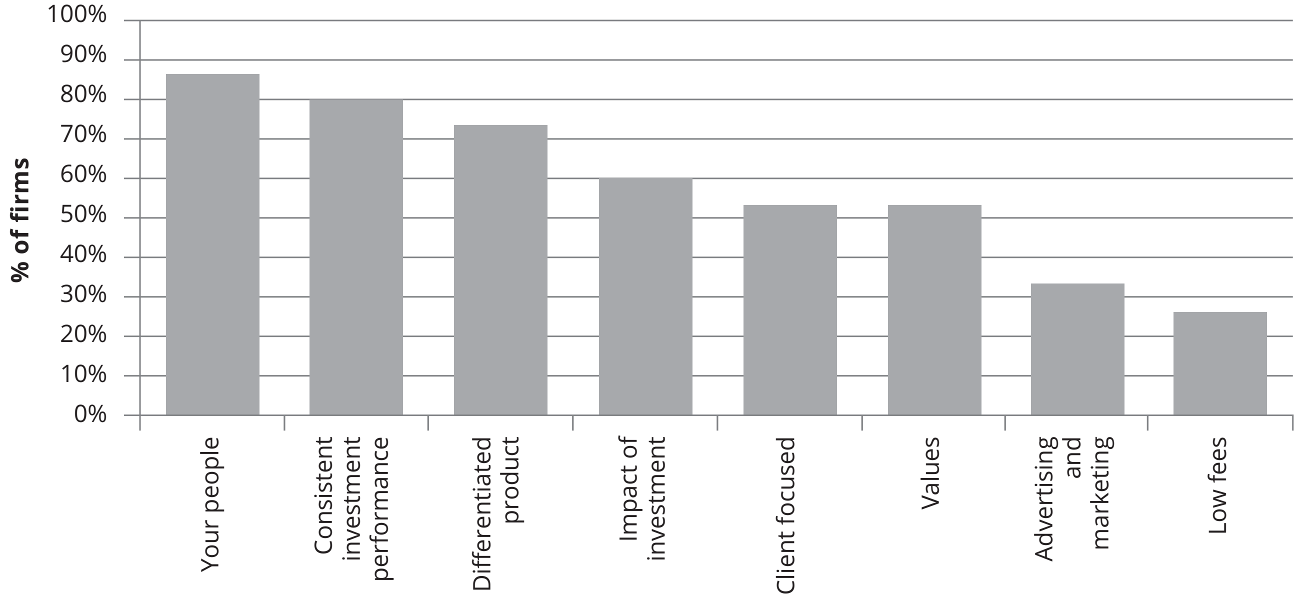
Seventy-three percent of firms said they did investor roadshows, either at fundraising time or at least annually. Those which don't do roadshows have either not managed to raise capital yet or choose to engage only with existing investors. It is clear that having an ongoing presence with investors is important to help managers to raise capital when the time comes, and to build a name in the market.

f. Have a fully functional website



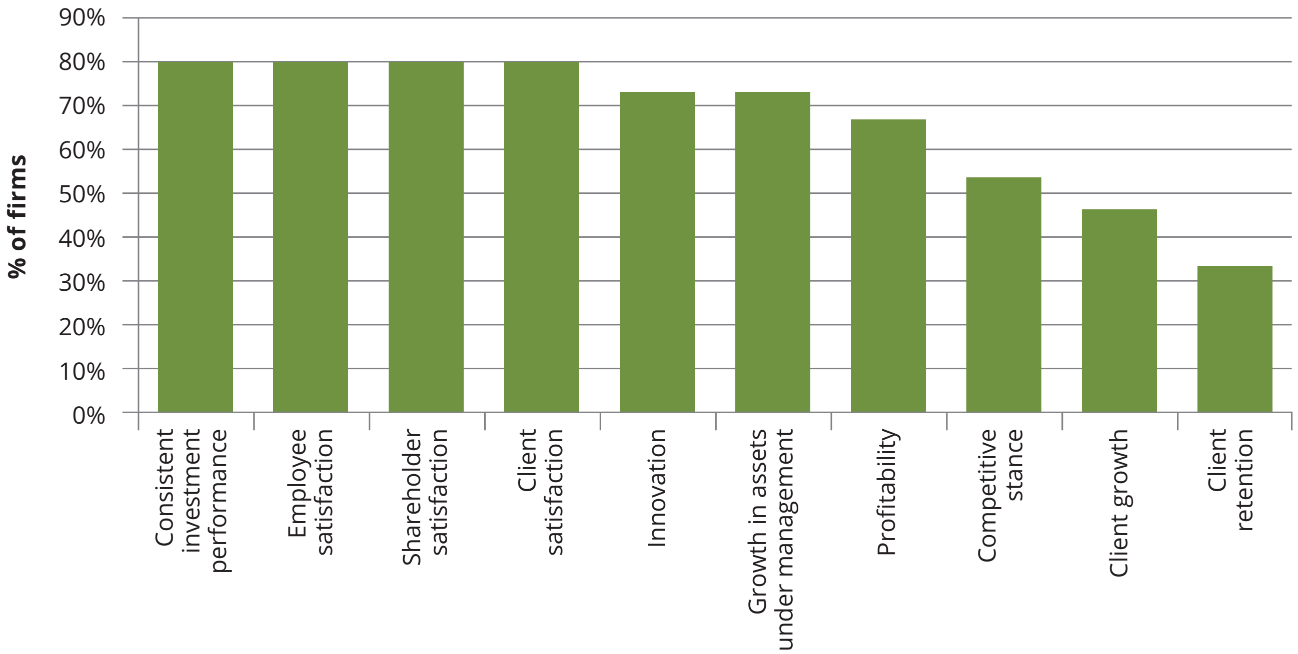
Many of the websites of black PE fund managers do not allow users to explore the actual investment products and the performance of these investments. One reason for this is the regulatory issues around the positioning of private equity funds as non-CISCA regulated funds. Other reasons are that websites are not seen as a priority for managers, and that, for many black fund managers, it is too early to report meaningful performance.

g. Drivers of brand recognition



When asked which factors would drive brand recognition, respondents indicated that people and consistent performance would be the biggest factors. This is consistent with our understanding of the industry, where, particularly, the names of smaller firms are interchangeable with their key people. Over time, delivering on return expectations will clearly drive the recognition of the brand. It is interesting to note the preponderance of other factors which are seen to drive brand recognition, notably, having a differentiated product and the impact created through the investment of funds managed.

h. Measures of success



There are several measures of success that are seen as key, most notably the satisfaction of all stakeholders, be they employees, shareholders or clients (investors). Consistent investment performance was rated as highly as satisfying these stakeholders and is arguably strongly linked. Growth in AUM and profitability of the management company were seen as the next most important measures of success. Curiously, client retention was the least cited measure, but this may be a result of the typical structure of long-term lock-ins for clients, making retention mandatory for at least a 10-year period.

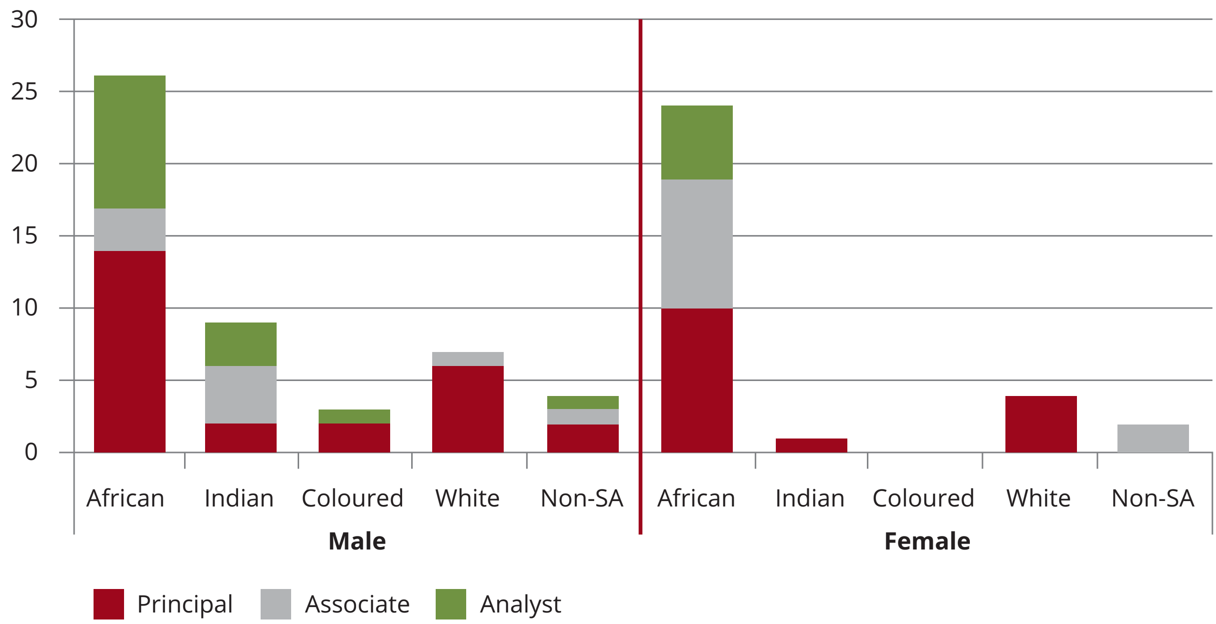
Team

a. Staff by category

Managing a PE fund typically requires at least five people but this number can vary according to a firm's investment style. The more actively involved the manager is in the operations of the underlying companies, and the more deals it does, the more resources are required. Less active managers may be able to get away with fewer than five investment team members but most need more than five to enable them to properly build and work through a pipeline of opportunities. As teams grow, more support staff are often added.

On average, black PE managers have 2.7 partners / principals, with the more established firms having four or five. Only one respondent had only one person at this level.

b. Demographics of investment teams



Of the 134 people employed, African staff made up more than 80% with African women representing over 50% of total staff employed. The racial makeup mirrors the demographics of the country much more closely than the broader private-equity market.

Twenty-nine of 41 partners/principals (71%) were black and 12 (29%) white or non-South African. This demonstrates that the vast majority of senior staff at black private equity firms are, in fact, black. Partners/principals are 63% male.

Thirty-six of the 41 partners and principals had more than 10 years' experience in deal-making, demonstrating that despite many of these firms being relatively young, their key people have gained strong experience elsewhere.

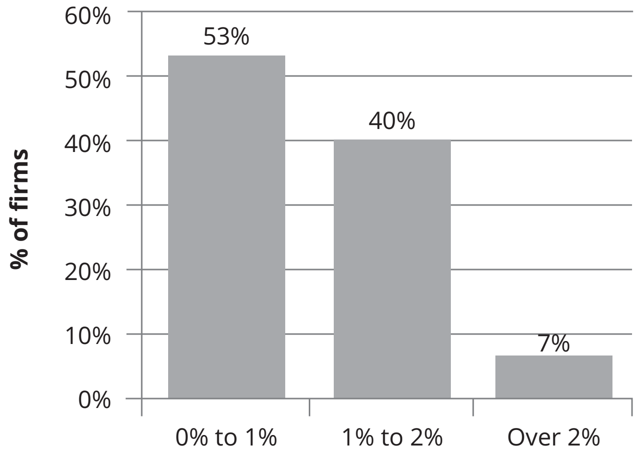
Only 20 associates were employed, half the number of partners/principals. On average, there were 1.3 associates per fund and some of the respondents had no associates. One reason for the low number of associates may be their cost relative to the development stage of most firms.

People with sufficient experience to be at associate level are rather looking to be at partner/principal level while those that are not may be too expensive for the firms relative to what associate-level staff can earn elsewhere.

On average, firms only had one analyst, with five of the respondents reporting that they did not have any analysts. There may be some variance in the terminology used between analysts and associates but it is clear that these firms are top heavy. As they grow, we would expect to see more staff added at more junior levels.

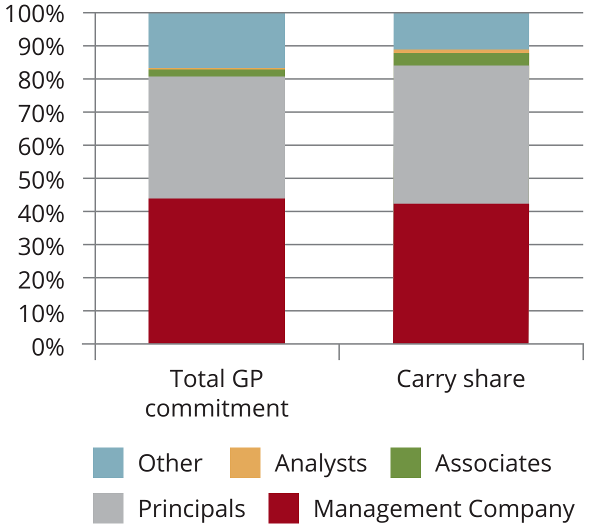
Alignment of interests

a. Total GP commitment to the most recent fund as a percentage of total commitments



On average, the GP commitment to committed capital is 1.1%, most commonly 1% and then 1.5% and 2%. Some firms reported 0% GP commitment.

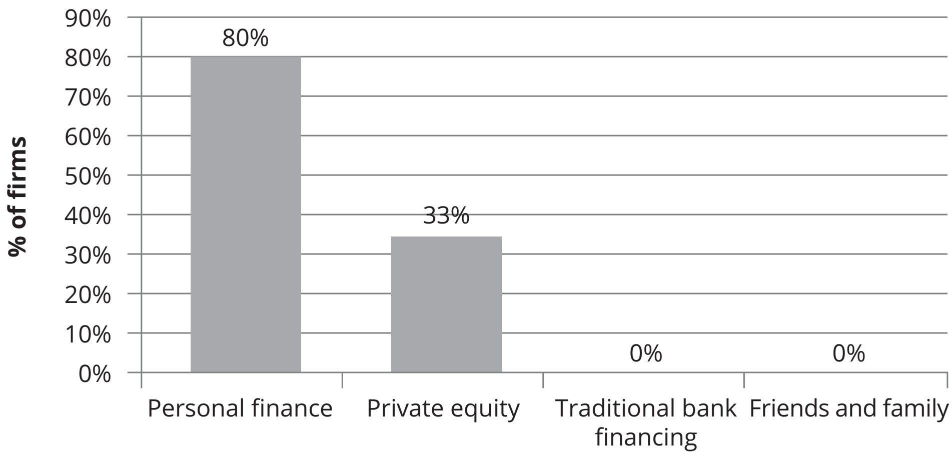
b. Comparison between GP commitment and carry share



Management companies and the principals of each fund are expected to fund the bulk of the GP commitment, which is reflected in the share of carry. Principals are typically the owners of the management company so this is something of an arbitrary split. In some instances a small share of carry is made available to junior staff.

Approximately half of firms allow employees to have equity in the management companies. There is no uniform approach to this with some firms choosing to spread share ownership widely and others choosing to keep it to founders and key staff.

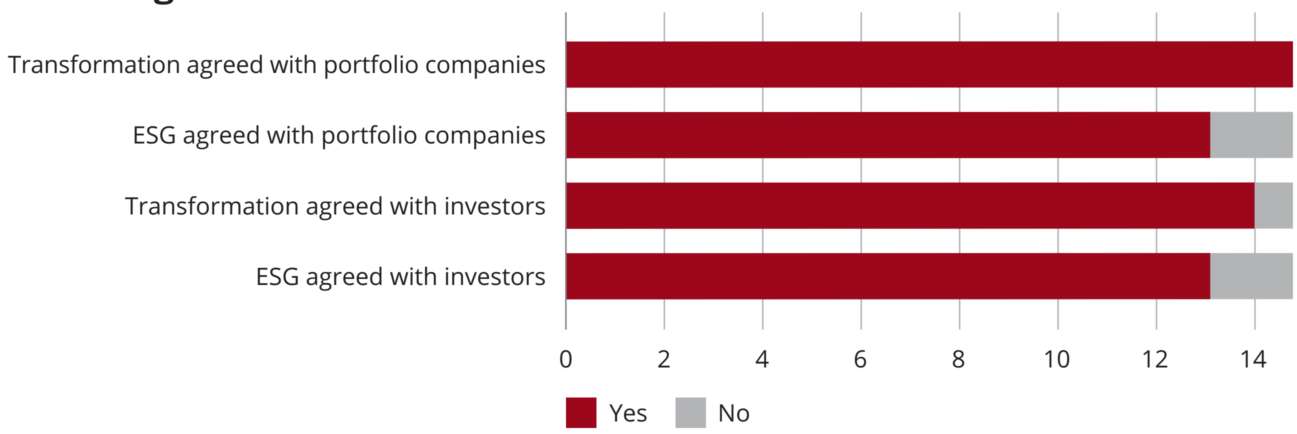
c. How firms are financed at start-up



Founders mostly finance the start-up of their firms, these individuals having often earned and saved capital from their previous jobs. Several firms have taken working capital facilities from private equity investors or have been privately assisted with other forms of finance.

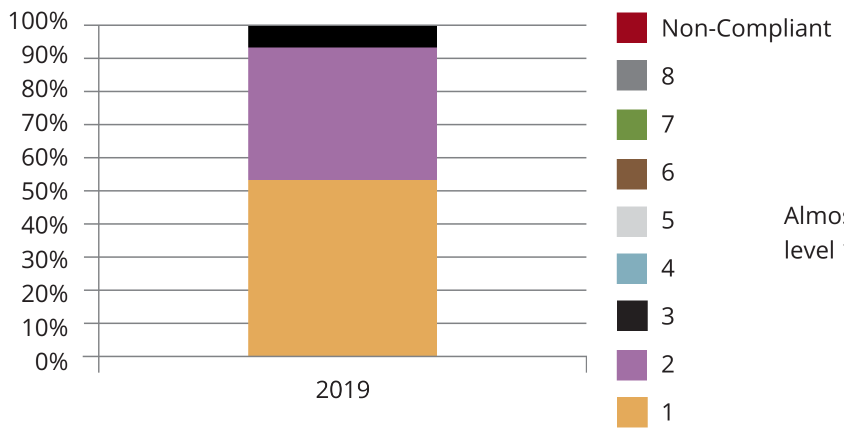
ESG and transformation

a. Integration



Almost all firms agree to ESG integration, as well as transformation, being part of their fund formation agreements. This then flows through to the agreements that fund managers put in place with their investee companies.

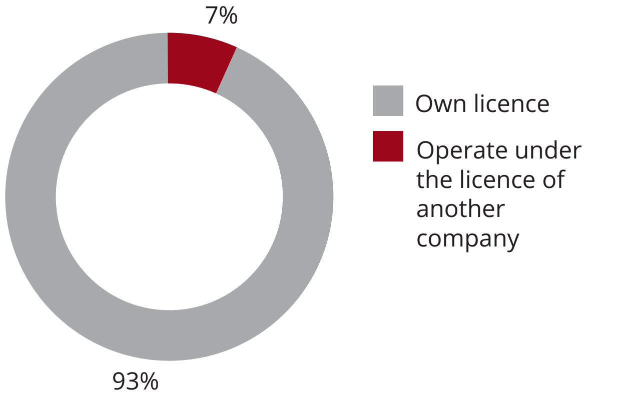
b. B-BBEE contribution level



Almost all participants are rated as either level 1 or 2 with only one rated level 3.

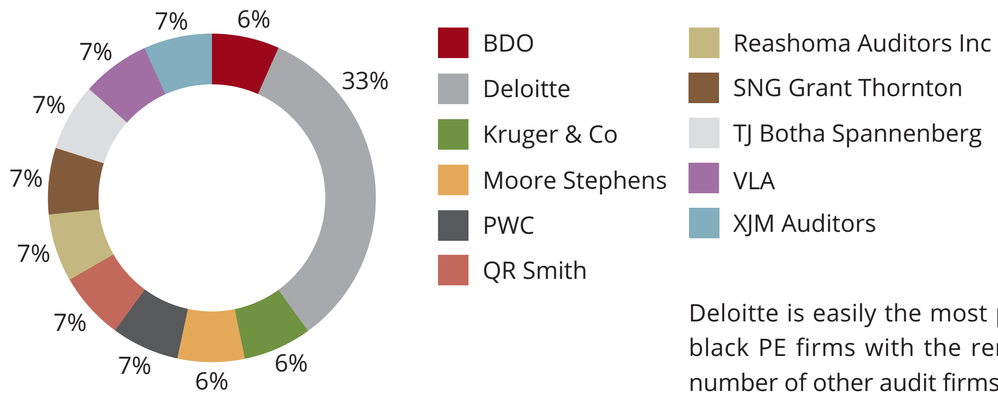
Compliance

a. FSCA licensing



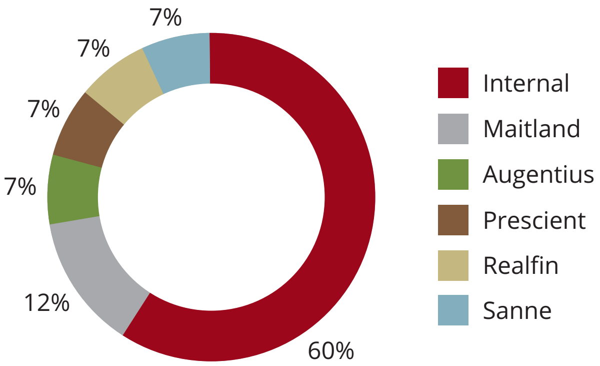
All firms were operating under the appropriate licence from the FSCA, and only one was working under another party's licence. Most firms have one or two key individuals on their licences. This is consistent with the early stage of most of these firms, and the relatively small quantity of assets. Firms typically start with one or two key individuals before expanding this as their firms grow.

b. External auditor



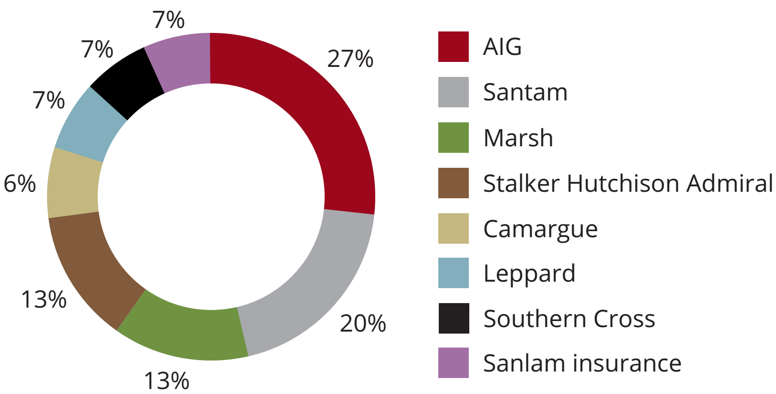
Deloitte is easily the most popular audit firm among black PE firms with the remainder spread among a number of other audit firms. Only firms which are fully operational use Deloitte, which seems to have a good offering for PE.

c. Fund administration

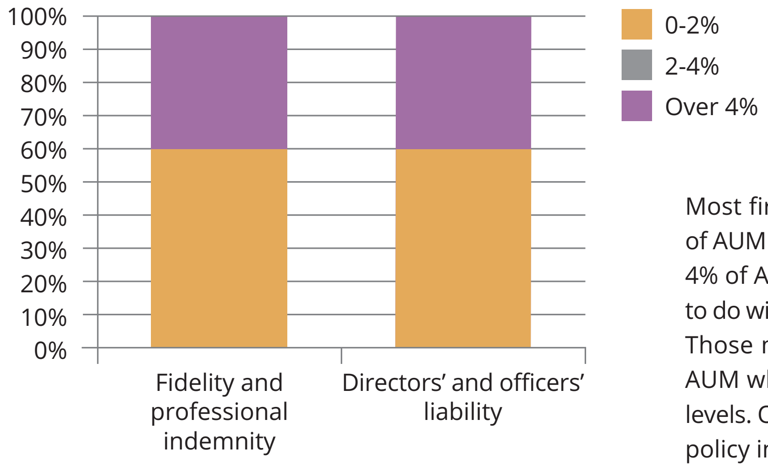


Most firms have internal administration with six firms opting for external administration. This seems to come down to personal preference and is similar to the broader market and internationally.

d. Insurance cover

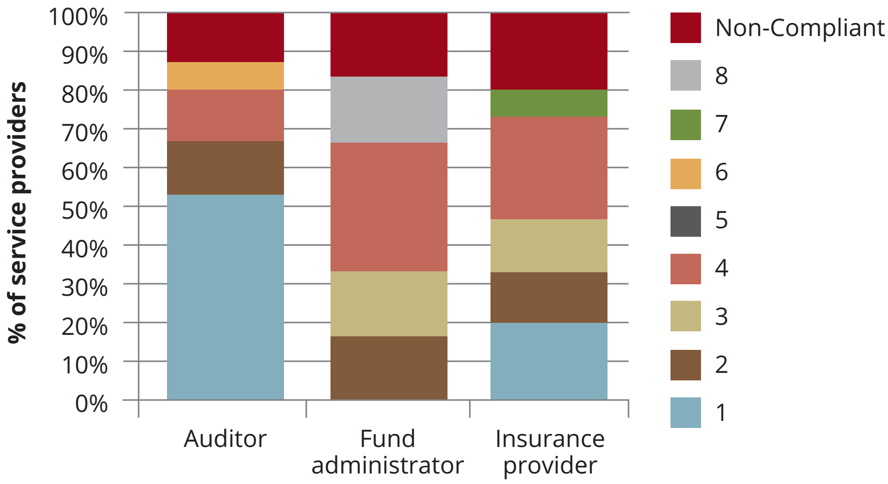


Level of cover



Most firms have low levels of insurance: less than 2% of AUM while 40% of firms have insurance levels of over 4% of AUM. This gap between the two levels may have to do with recommendations from the different insurers. Those managers with Santam all had less than 2% of AUM while those using other insurers picked a mix of levels. Only one firm surveyed had a separate insurance policy in place for cyber risk.

e. B-BBEE rating of external service providers



Deloitte is a level 1-rated audit firm and had managed to win 33% of the funds in the survey sample. There were no level 1-rated administration firms in the market with most fund managers doing their administration in-house, leaving a mixed bag of providers for those which do outsource. Santam appears to be the only level 1-rated insurer in the market and has won 20% of the market. The remainder were spread among other providers.

Asset manager profiles | Private markets

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Title of contact person:	Administrator
LinkedIn:	Ata Capital

Name of company:	**Bopa Moruo Private Equity Fund Managers (Pty) Ltd**
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Name of company:	**Crede Capital Partners (Pty) Ltd**
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Title of contact person:	Executive/Principal
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Name of company:	**Ethos Mid Market Fund I (Pty) Ltd**
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Name of company: **Firebird Fund Managers (Pty) Ltd**
Date of inception: Sep-17
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Name of company: **Khumovest (Pty) Ltd**
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Title of contact person: Executive/Principal

Name of company: **Moshe Capital (Pty) Ltd**
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Contact person: Pauli van Greunen
Title of contact person: Administrator

Name of company: **PAPE Fund Managers (Pty) Ltd**
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Name of company: **RH Managers (Pty) Ltd**
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Title of contact person: Business Development Manager/ Investor Relations

Name of company:	**Sanari Capital (Pty) Ltd**
Date of inception:	Nov-13
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Name of company:	**Senatla Capital (Pty) Ltd**
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Title of contact person:	Executive/Principal

Name of company:	**Summit PE Investment Managers (Pty) Ltd**
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   iii. claim damages for all losses and damages it may suffer and costs and expenses it may incur as a result of the breach.

7. Indemnity

a. Any person who accesses, reads or uses this Survey or any information in it hereby indemnifies and holds 27four and/or the Relevant Entities and any of its respective directors, officers, employees, representatives, agents, licensors, and any third party information providers harmless from and against all claims, damages, losses, costs and expenses (whether direct, indirect, incidental, special, punitive or consequential) (including attorney and own client costs), resulting from any failure to adhere to these terms and conditions.

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